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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13

of the Securities Exchange Act of 1934

For the Fiscal Year Ended
February 1, 2003

Commission File Number
1-13536

Federated Department Stores, Inc.

7 West Seventh Street

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

Incorporated in Delaware **I.R.S. No. 13-3324058**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange
8.5% Senior Notes due 2003	New York Stock Exchange
7.45% Senior Debentures due 2017	New York Stock Exchange
6.79% Senior Debentures due 2027	New York Stock Exchange
7% Senior Debentures due 2028	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

The Company has filed all reports required to be filed by Section 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.

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

Indicate by checkmark whether registrant is an accelerated filer (as defined in Exchange Act Rule 126-2). Yes ☑ No ☐

There were 187,327,448 shares of the Company's Common Stock outstanding as of April 4, 2003, excluding shares held in the treasury of the Company or by subsidiaries of the Company.

The aggregate market value of the Company's Common Stock, excluding shares held in the treasury of the Company or by subsidiaries of the Company, based upon the last sale price as reported on the New York Stock Exchange Composite Tape on August 2, 2002, was approximately $6,299,600,000.

Documents Incorporated by Reference

Portions of the definitive proxy statement (the "Proxy Statement") relating to the Company's Annual Meeting of Stockholders to be held on May 16, 2003 (the "Annual Meeting"), are incorporated by reference in Part III hereof.

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Unless the context requires otherwise references to "2002," "2001," "2000," "1999" and "1998" are references to the Company's fiscal years ended February 1, 2003, February 2, 2002, February 3, 2001, January 29, 2000 and January 30, 1999 respectively.

Forward-Looking Statements

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 1. Business.

General. The Company is a Delaware corporation. The Company and its predecessors have been operating department stores since 1820.

As of February 1, 2003, the Company, through its subsidiaries, operated 394 department stores and 61 furniture galleries and other specialty stores under the names "Bloomingdale's," "The Bon Marché," "Burdines," "Goldsmith's," "Lazarus," "Macy's" and "Rich's." The stores are located in 34 states, Puerto Rico and Guam, with 145 stores being located on the west coast, 103 stores in the southeast, 93 stores in the northeast, 51 stores in the midwest and the remaining 63 stores spread in other areas of the United States and its territories. The department stores sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods,

and are diversified by size of store, merchandising character and character of community served. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States. During 2002, the Company announced and commenced the implementation of its plans to integrate the stores of Rich's and Macy's in the metro Atlanta area and operate these and all other Rich's stores under a combined "Rich's-Macy's" nameplate. As part of the consolidation, seven stores were closed. The Company currently anticipates that two locations will be renovated and reopened as Bloomingdale's, one location will be renovated and reopened as a Rich's-Macy's furniture gallery and four locations will be sold or leased for other retail use.

The Company, through its Bloomingdale's and Macy's West subsidiaries, conducts direct-to-customer mail catalog and electronic commerce businesses under the names "Bloomingdale's By Mail" and "macys.com." Additionally, the Company offers on-line bridal registry and gift purchase facilities to customers.

Through its subsidiary, Fingerhut Companies, Inc. ("Fingerhut"), the Company previously sold a broad range of products and services through catalogs, direct marketing and the Internet, including (i) Figi's, a food and gift catalog business; (ii) Arizona Mail Order and Bedford Fair, both apparel catalog businesses; and (iii) Popular Club, a membership-based general merchandise catalog business. Fingerhut also provided services to third parties. On January 16, 2002, the Company's Board of Directors approved a plan to dispose of the operations of Fingerhut, including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, which were acquired by the Company on March 18, 1999. During 2002, the Company, through separate transactions with third parties, sold substantially all of the assets of Fingerhut and its subsidiaries, including the Fingerhut core catalog operation, the Fingerhut receivables portfolio and related assets, the operations of Arizona Mail Order and Figi's as ongoing businesses, the operations of Popular Club Plan, as an ongoing business and certain real property assets. Effective February 2, 2002, the Company began reporting Fingerhut's results as discontinued operations in the Company's consolidated financial statements. The historical percentage of the Company's consolidated net sales attributable to Fingerhut was 7% for the 52 weeks ended February 2, 2002 and 10% for the 53 weeks ended February 3, 2001. Because the Fingerhut core catalog operation, the related receivables portfolio and the Arizona Mail Order, Figi's and Popular Club Plan operations constituted a single business segment, the Company treated their disposition as a liquidation of the segment. The Company now operates in one segment as an operator of department stores.

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

- The Company's financial, administrative and credit services subsidiary, FACS Group, Inc. ("FACS"), provides credit processing, collections, customer service and credit marketing services for the proprietary credit programs of the Company's retail operating divisions in respect of all proprietary credit card accounts owned by the Company and credit processing, customer service and credit marketing for those accounts owned by GE Capital Consumer Card Co., ("GE Bank"). GE Bank owns all of the "Macy's" credit card accounts originated prior to December 19, 1994, when R.H. Macy & Co., Inc. was acquired pursuant to a merger and an allocated portion of the "Macy's" credit card accounts originated subsequent to such merger. In addition, FACS provides payroll and benefits services to the Company's retail operating and service divisions.

- The Company's data processing subsidiary, Federated Systems Group, Inc. ("FSG"), provides (directly and pursuant to outsourcing arrangements with third parties) operational electronic data

processing and management information services to each of the Company's retail operating and service divisions.

- Federated Merchandising Group ("FMG"), a division of the Company, helps the Company to centrally develop and execute consistent merchandise strategies while retaining the ability to tailor merchandise assortments and strategies to the particular character and customer base of the Company's various department store franchises. FMG is also responsible for all of the private label development of the Company's retail operating divisions. However, Bloomingdale's sources some of its private label merchandise through Associated Merchandising Corporation.

- Federated Logistics and Operations ("FLO"), a division of a subsidiary of the Company, provides warehousing and merchandise distribution services, store design and construction services and certain supply purchasing services for the Company's retail operating divisions.

- A specialized staff maintained in the Company's corporate offices provides services for all divisions of the Company in such areas as accounting, real estate and insurance, as well as various other corporate office functions.

FACS, FSG, FMG and certain departments in the Company's corporate offices also offer their services to unrelated third parties.

The Company's executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000 and 151 West 34th Street, New York, New York 10001, telephone number: (212) 494-1602.

Employees. As of February 1, 2003, the Company had approximately 113,000 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees peaks in the Christmas season. Approximately 10% of the Company's employees as of February 1, 2003 were represented by unions. Management considers its relations with employees to be satisfactory.

Seasonality. The retail business is seasonal in nature with a high proportion of sales and operating income generated in the months of November and December. Working capital requirements fluctuate during the year, increasing somewhat in mid-summer in anticipation of the fall merchandising season and increasing substantially prior to the Christmas season when the Company must carry significantly higher inventory levels.

Purchasing. The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company's net purchases during 2002. The Company has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Competition. The retailing industry, in general, and the department store and direct-to-customer businesses, in particular, are intensely competitive. Generally, the Company's stores and direct-to-customer business operations compete with other department stores in the geographic areas in which they operate, as well as numerous other types of retail outlets, including specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including the Internet, mail order catalogs and television) and manufacturers' outlets. The operators of department stores with which the Company competes to a substantial degree include Dillard's, J.C. Penney, Kohl's, May, Nordstrom, and Sears. The Company seeks to attract customers by offering superior selections, value pricing, and strong private label merchandise in stores that are located in premier locations, and by providing an exciting

shopping environment and superior service. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Available Information. The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge through its internet website at *http://www.fds.com* as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

Item 1A. Executive Officers of the Registrant.

The following table sets forth certain information regarding the executive officers of the Company:

Name	Age	Position with the Company
James M. Zimmerman	59	Chairman of the Board; Director
Terry J. Lundgren	51	President and Chief Executive Officer; Director
Ronald W. Tysoe	50	Vice Chair; Director
Thomas G. Cody	61	Vice Chair
Tom Cole	54	Vice Chair
Janet E. Grove	51	Vice Chair
Susan D. Kronick	51	Vice Chair
Karen M. Hoguet	46	Senior Vice President and Chief Financial Officer
Dennis J. Broderick	54	Senior Vice President, General Counsel and Secretary
Joel A. Belsky	49	Vice President and Controller

James M. Zimmerman has been Chairman of the Board since May 1997, and Chief Executive Officer of the Company from May 1997 until February 25, 2003; prior thereto he served as the President and Chief Operating Officer of the Company since May 1988.

Terry J. Lundgren has been President and Chief Executive Officer of the Company since February 26, 2003; prior thereto he served as the President/ Chief Operating Officer and Chief Merchandising Officer of the Company since April 15, 2002. Prior to April 15, 2002 Mr. Lundgren served as the President and Chief Merchandising Officer of the Company since May 1997 and served as the Chairman of the Company's Federated Merchandising Group division from February 1994 until February 19, 1998.

Ronald W. Tysoe has been Vice Chair, Finance and Real Estate, of the Company since April 1990 and served as Chief Financial Officer of the Company from April 1990 until October 31, 1997.

Thomas G. Cody has been Vice Chair, Legal, Human Resources, Internal Audit and External Affairs, since February 26, 2003; prior thereto he served as the Executive Vice President, Legal and Human Resources, of the Company since May 1988.

Tom Cole has been Vice Chair, Support Operations, since February 26, 2003 and Chairman of FLO since 1995, FSG since 2001 and FACS since 2002.

Janet E. Grove has been Vice Chair, Merchandising, Private Brand and Product Development, since February 26, 2003 and Chairman of FMG since 1998 and Chief Executive Officer of FMG since 1999.

Susan D. Kronick has been Vice Chair, Department Store Divisions, since February 26, 2003; prior thereto she served as Group President, Regional Department Stores, since 2001.

Karen M. Hoguet has been Senior Vice President of the Company since April 1991 and Chief Financial Officer of the Company since October 31, 1997. Mrs. Hoguet also served as the Treasurer of the Company from January 1992 until July 6, 1999.

Dennis J. Broderick has been Secretary of the Company since July 1993 and Senior Vice President and General Counsel of the Company since January 1990.

Joel A. Belsky has been Vice President and Controller of the Company since October 1996. Prior thereto he served as Divisional Vice President and Deputy Controller of the Company since March 1993.

Item 2. Properties.

The properties of the Company consist primarily of stores and related facilities, including warehouses and distribution and fulfillment centers. The Company also owns or leases other properties, including corporate office space in Cincinnati and New York and other facilities at which centralized operational support functions are conducted. As of February 1, 2003, the Company operated 455 stores in 34 states, Puerto Rico and Guam, comprising a total of approximately 83,500,000 square feet. Of such stores, 198 were owned, 171 were leased and 86 stores were operated under arrangements where the Company owned the building and leased the land. All owned properties are held free and clear of mortgages. Pursuant to various shopping center agreements, the Company is obligated to operate certain stores for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name. Most leases require the Company to pay real estate taxes, maintenance and other costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's real estate leases have terms that extend for significant numbers of years and provide for rental rates that increase over time.

Item 3. Legal Proceedings.

The Company and certain members of its senior management have been 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 have been 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") has been filed. The Complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, on the basis 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 Fingerhut. The plaintiffs are seeking unspecified amounts of compensatory damages and costs, including legal fees. Management intends to defend vigorously against those allegations. A motion to dismiss the Complaint is pending. Discovery has not commenced.

On February 14 and February 26, 2002, two essentially identical shareholder derivative lawsuits were filed in a Minnesota state court, purportedly on behalf of the Company, naming as defendants the Company's directors, its Fingerhut subsidiary and certain officers of Fingerhut. The defendants have removed these lawsuits to the United States District Court for the District of Minnesota (*Wesenberg vs.*

Zimmerman, et al, Case No. 02-CV-527; *Alaska Ironworkers Pension Trust vs. Zimmerman, et al;* Case No. 02-CV-528). The complaints allege that the defendants have breached their fiduciary duties to the Company in connection with the disposition of Fingerhut and seek an injunction to prevent the liquidation of Fingerhut or a sale of Fingerhut's assets other than as a going concern. The Alaska Ironworkers Pension Trust action was voluntarily dismissed by the plaintiff. The Wesenberg action was dismissed by the District Court on the motion of the defendants. The United States Court of Appeals for the Eighth Circuit dismissed the plaintiff's appeal of the dismissal of the Wesenberg action. Both of these matters are now concluded.

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

None.

PART II

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

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "FD." As of February 1, 2003, the Company had approximately 12,932 stockholders of record. The following table sets forth for each fiscal quarter during 2002 and 2001 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape:

	2002		2001	
	Low	High	Low	High
1st Quarter	36.83	44.26	38.43	49.90
2nd Quarter	31.39	44.10	35.78	48.45
3rd Quarter	23.59	38.13	26.05	40.09
4th Quarter	25.50	34.75	33.00	43.05

The Company has not paid any dividends on its Common Stock during its two most recent fiscal years, but may consider paying dividends on the Common Stock in the future.

Item 6. Selected Financial Data.

The selected financial data set forth below should be read in conjunction with the Consolidated Financial Statements and the notes thereto and the other information contained elsewhere in this report.

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001	52 Weeks Ended January 29, 2000	52 Weeks Ended January 30, 1999
	(millions, except per share data)				
Consolidated Statement of Operations Data:					
Net sales	$15,435	$15,651	$16,638	$16,029	$15,365
Cost of sales	9,255	9,584	9,955	9,576	9,218
Selling, general and administrative expenses	4,837	4,801	4,912	4,760	4,692
Asset impairment and restructuring charges	–	162	80	–	–
Operating income	1,343	1,104	1,691	1,693	1,455
Interest expense	(311)	(331)	(327)	(320)	(304)
Interest income	16	7	6	13	12
Income from continuing operations before income taxes and extraordinary items	1,048	780	1,370	1,386	1,163
Federal, state and local income tax expense	(410)	(262)	(549)	(561)	(478)
Income from continuing operations before extraordinary items	638	518	821	825	685
Discontinued operations (a)	180	(784)	(1,005)	(30)	–
Extraordinary items (b)	–	(10)	–	–	(23)
Net income (loss)	$ 818	$ (276)	$ (184)	$ 795	$ 662
Basic earnings (loss) per share:					
Income from continuing operations	$ 3.23	$ 2.65	$ 4.01	$ 3.92	$ 3.27
Net income (loss)	4.15	(1.41)	(.90)	3.78	3.16
Diluted earnings (loss) per share:					
Income from continuing operations	$ 3.21	$ 2.59	$ 3.97	$ 3.76	$ 3.06
Net income (loss)	4.12	(1.38)	(.89)	3.62	2.96
Average number of shares outstanding	196.6	195.1	204.3	210.0	209.1
Depreciation and amortization	$ 680	$ 689	$ 651	$ 665	$ 624
Capital expenditures	$ 627	$ 651	$ 786	$ 782	$ 695
Balance Sheet Data (at year end):					
Cash	$ 716	$ 636	$ 222	$ 173	$ 307
Total assets	14,441	16,112	17,012	17,692	13,464
Short-term debt (c)	946	1,012	1,117	772	524
Long-term debt	3,408	3,859	3,845	3,801	3,057
Shareholders' equity	5,762	5,564	5,822	6,552	5,709

(a) Discontinued operations include the after-tax operations of Fingerhut Companies, Inc. in 2001, 2000 and 1999. 2001 includes the estimated after-tax loss on the disposal of discontinued operations of $770 million. 2002 represents adjustments to the estimated loss on disposal of discontinued operations

(b) The extraordinary items for 2001 and 1998 were after-tax expenses associated with debt prepayments.

(c) At February 1, 2003, includes $486 million of debt associated with the financing of non-proprietary accounts receivable which were financed through an off-balance sheet sale arrangement in prior years.

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

In January 2003, the Company announced and commenced the implementation of its plans to integrate the stores of Rich's and Macy's in the metro Atlanta area and operate these and all other Rich's stores under a combined "Rich's-Macy's" nameplate. As part of the consolidation, seven stores were closed. The Company currently anticipates that two locations will be renovated and reopened as Bloomingdale's, one location will be renovated and reopened as a Rich's-Macy's furniture gallery and four locations will be sold or leased for other retail use. In the near term, the store closings and store closing costs are expected to have a negative impact on net sales and operating income, but in the longer term all of these actions are expected to positively affect operating income, cash flows from operations and return on investment.

On January 16, 2002, the Company's Board of Directors approved a plan to dispose of the operations of Fingerhut Companies, Inc. ("Fingerhut"), including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, which were acquired by the Company on March 18, 1999. The decision to dispose of Fingerhut was based on management's determination that there was no longer strategic value to Federated in retaining the Fingerhut operations and there was no expectation, based on Fingerhut's historical earnings and future prospects, that this business would contribute meaningfully to the Company's future financial performance. The plan of disposition approved by the Company's board of directors contemplated a disposal by liquidation of the Fingerhut core catalog operations and a disposal by sale of Fingerhut's three catalog subsidiaries, Arizona Mail Order, Figi's and Popular Club Plan. As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled.

The Company's Consolidated Financial Statements for all periods account for Fingerhut as a discontinued operation as a result of the Company's decision to dispose of the Fingerhut operations. Unless otherwise indicated, the following discussion relates to the Company's continuing operations.

On July 9, 2001, the Company completed its acquisition of Liberty House, Inc. ("Liberty House"), a department store retailer operating 11 department stores and seven resort and specialty stores in Hawaii and one department store in Guam. The total purchase price of the Liberty House acquisition was approximately $200 million, consisting of approximately $183 million of cash and the assumption of approximately $17 million of indebtedness. The acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations of Liberty House have been included in the Company's results of operations from the date of acquisition and the purchase price has been allocated to Liberty House's assets and liabilities based on their estimated fair values as of that date. All Liberty House stores were subsequently converted to Macy's stores in 2001.

On February 2, 2001, the Company decided to close its Stern's department store division, and to convert most of its Stern's stores to Macy's and Bloomingdale's stores, in order to expand and strengthen Macy's and Bloomingdale's. Also, on November 29, 2001, the Company announced the reorganization of its department store-related catalog and e-commerce operations to conduct its continuing Internet and catalog business exclusively through *macys.com* and Bloomingdale's By Mail.

As a result of continuing declines in interest rates and the market value of the Company's defined benefit pension plan assets, the Company was required to increase its minimum pension liability and reduce stockholders' equity at February 1, 2003 by $261 million, net of tax effect. This adjustment did not affect the Company's reported earnings or pension plan funding requirements. However, the Company

made a $50 million voluntary contribution to the pension plan in 2002 and anticipates that pension expense, which was approximately $4 million in 2002, will increase by $15-20 million in 2003.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Forward-Looking Statements."

Results of Operations

Comparison of the 52 Weeks Ended February 1, 2003 and the 52 Weeks Ended February 2, 2002. Net income for 2002 totaled $818 million compared to a net loss for 2001 of $276 million.

Net sales for 2002 totaled $15,435 million, compared to net sales of $15,651 million for 2001, a decrease of 1.4%. The overall sales trend in 2002 was negatively impacted by a difficult economic climate. On a comparable store basis (sales from stores in operation throughout 2001 and 2002), net sales decreased 3.0% compared to 2001. By family of business, sales were relatively strong in private brands, furniture, jewelry and young men's. The weakest businesses were the soft home areas – tabletop (china, silver, glass), textiles and housewares.

Cost of sales was 60.0% of net sales for 2002, compared to 61.2% for 2001. Cost of sales as a percent of net sales, excluding $53 million in inventory valuation adjustments, was 60.9% in 2001. The cost of sales rate in 2002 benefited from lower net markdowns resulting from the lower inventory levels throughout 2002. 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 expenses ("SG&A") were 31.3% of net sales for 2002 compared to 30.7% for 2001. Finance charge income on proprietary accounts receivable was $353 million for 2002, down from $361 million in 2001, primarily due to the decrease in average accounts receivable balances. Amounts charged to expense for doubtful proprietary accounts receivable were $143 million for 2002, compared to $128 million in 2001, reflecting slightly higher delinquency rates during 2002. Included in SG&A expenses for 2002 were approximately $68 million of costs, 0.4% of net sales, incurred in the fourth quarter in connection with the Rich's-Macy's consolidation and other announced store closings. These costs were primarily real estate related and also included severance. In 2001, there was approximately $29 million of costs, 0.2% of net sales, incurred in the fourth quarter in connection with store closings included in SG&A expenses, also primarily related to real estate write-downs. SG&A expenses in 2002 benefited from lower goodwill and intangible amortization as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Effective February 3, 2002, the Company ceased amortizing goodwill and indefinite lived intangible assets. SG&A expenses in 2001 included amortization expense of $28 million, 0.2% of net sales, related to goodwill and indefinite lived intangible assets. The effect of the non-amortization provisions of SFAS No. 142 was offset by the impact of higher occupancy related expenses, such as depreciation, rent, taxes and insurance.

During 2001, the Company incurred asset impairment and restructuring charges related to its department store business. These costs related primarily to the closing of its Stern's department store division and subsequent integration into its Macy's and Bloomingdale's operations, the acquisition of Liberty House and subsequent integration into Macy's and the reorganization of its department-store-

related catalog and e-commerce operations. The Company recorded $215 million of asset impairment and restructuring charges during 2001, including $53 million of inventory valuation adjustments as a part of cost of sales. The $53 million of inventory valuation adjustments included $33 million related to the Stern's conversion, $17 million related to the Liberty House integration and $3 million related to the catalog and e-commerce reorganization. These inventory valuation adjustments consisted of markdowns on merchandise that was sold at Stern's, Liberty House or through the Company's catalog and e-commerce channels and that would not continue to be sold following the conversion of the Stern's and Liberty House stores and the reorganization of the catalog and e-commerce business. The $162 million of asset impairment and restructuring charges included $38 million of costs associated with converting the Stern's stores into Macy's (including store remodeling costs, advertising, credit card issuance and promotion and other name change expenses), $35 million of costs to close and sell certain Stern's stores (including lease obligations and other store closing expenses), $18 million of severance costs related to the Stern's closure, $9 million of Stern's duplicate central office costs, $10 million of costs associated with converting the Liberty House stores into Macy's (including advertising, credit card issuance and promotion and other name change expenses), $4 million of Liberty House duplicate central office costs, $40 million of fixed asset and capitalized software write-downs related to the catalog and e-commerce reorganization, $4 million of other exit costs associated with the catalog and e-commerce reorganization and $4 million related to an investment write-down as a result of the Company's determination, based on uncertain financing alternatives and a comparison to market values of similar publicly traded businesses, that this equity investment was impaired on an other than temporary basis.

Net interest expense was $295 million for 2002 compared to $324 million for 2001, primarily due to lower levels of borrowings.

The Company's effective income tax rate of 39.1% for 2002 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from other items. The Company's effective income tax rate of 33.6% for 2001 differs from the federal income tax statutory rate of 35.0% principally because of the effect of the disposition of its Stern's subsidiary, state and local income taxes and permanent differences arising from the amortization of intangible assets and other items. Income tax expense for 2001 reflects a $44 million benefit related to the recognition of the effect of the difference between the financial reporting and tax bases of the Company's investment in Stern's Department Stores, Inc. upon disposition.

During 2002, through various transactions, the Company completed the sale of the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, completed the sale of Fingerhut's core catalog accounts receivable portfolio, with the buyer assuming $450 million of receivables-backed debt, and completed the sale of various other Fingerhut assets, including two distribution centers, the corporate headquarters, a data center, existing inventory, the Fingerhut name, customer lists and other miscellaneous property and equipment. Proceeds from the foregoing sale transactions and collections on customer accounts receivable prior to the sale, net of operating expenses, exceeded the amount estimated to be received through wind-down of the portfolio and liquidation of the assets, resulting in an adjustment to the loss on disposal of discontinued operations for 2002 totaling $307 million of income before income taxes, or $180 million after income taxes. As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled.

Comparison of the 52 weeks ended February 2, 2002 and the 53 weeks ended February 3, 2001. The net loss for 2001 was $276 million compared to a net loss of $184 million for 2000.

Net sales for 2001 totaled $15,651 million, compared to net sales of $16,638 million for 2000, a decrease of 5.9%. The sales decrease reflects a weak economy, the events of September 11th and the closing of Stern's. The overall sales trend was disappointing, particularly in such categories as men's, tabletop (china, silver, glass) and luggage. However, sales were relatively strong in private brands, juniors' and young men's. On a comparable store basis (sales from stores in operation throughout 2000 and 2001, including Stern's stores in operation throughout the first quarter of 2000 and 2001, and adjusting for the impact of the 53rd week in 2000), net sales for 2001 decreased 5.3% compared to 2000.

Cost of sales was 61.2% of net sales for 2001, compared to 59.8% for 2000. Cost of sales as a percent of net sales, excluding $53 million of inventory valuation adjustments, was 60.9% in 2001, reflecting higher markdowns taken in 2001 which were needed, given the large decline in sales, to reduce inventories to more appropriate levels, particularly in fashion apparel categories. The Company ended 2001 with inventories down 7%, compared to 2000. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were 30.7% of net sales for 2001, compared to 29.5% for 2000. SG&A expenses decreased 2.2% in actual dollars compared to 2000, however, due to the lower sales level, SG&A expenses increased 1.2 percentage points as a percent of net sales. The Company was able to reduce total selling expenses, although not enough to compensate for the sales decrease. In 2001, there was approximately $29 million of costs, 0.2% of net sales, incurred in the fourth quarter in connection with store closings included in SG&A expenses, primarily related to real estate write-downs. Additionally, an increase in relatively fixed costs, such as depreciation and amortization, utilities, etc., contributed greatly to the higher SG&A expense rate. Finance charge income was $361 million for 2001, up from $349 million in 2000, primarily due to the growth in average accounts receivable balances. Amounts charged to expense for doubtful accounts receivable were $128 million for 2001, compared to $106 million in 2000, also due to the growth in average accounts receivable balances.

During 2001, the Company incurred asset impairment and restructuring charges related to its department store business. These costs related primarily to the closing of its Stern's department store division and subsequent integration into its Macy's and Bloomingdale's operations, the acquisition of Liberty House and subsequent integration into Macy's and the reorganization of its department-store-related catalog and e-commerce operations. The Company recorded $215 million of asset impairment and restructuring charges during 2001, including $53 million of inventory valuation adjustments as a part of cost of sales. The $53 million of inventory valuation adjustments included $33 million related to the Stern's conversion, $17 million related to the Liberty House integration and $3 million related to the catalog and e-commerce reorganization. These inventory valuation adjustments consisted of markdowns on merchandise that was sold at Stern's, Liberty House or through the Company's catalog and e-commerce channels and that would not continue to be sold following the conversion of the Stern's and Liberty House stores and the reorganization of the catalog and e-commerce business. The $162 million of asset impairment and restructuring charges included $38 million of costs associated with converting the Stern's stores into Macy's (including store remodeling costs, advertising, credit card issuance and promotion and other name change expenses), $35 million of costs to close and sell certain Stern's stores (including lease obligations and other store closing expenses), $18 million of severance costs related to the Stern's closure, $9 million of Stern's duplicate central office costs, $10 million of costs associated with converting the Liberty House stores into Macy's (including advertising, credit card issuance and promotion and other name change expenses), $4 million of Liberty House duplicate central office costs, $40 million of fixed asset and capitalized software write-downs related to the catalog and e-commerce reorganization,

$4 million of other exit costs associated with the catalog and e-commerce reorganization and $4 million related to an investment write-down as a result of the Company's determination, based on uncertain financing alternatives and a comparison to market values of similar publicly traded businesses, that this equity investment was impaired on an other than temporary basis.

Net interest expense was $324 million for 2001, compared to $321 million for 2000.

The Company's effective income tax rate of 33.6% for 2001 differs from the federal income tax statutory rate of 35.0% principally because of the effect of the disposition of its Stern's subsidiary, state and local income taxes and permanent differences arising from the amortization of intangible assets and other items. Income tax expense for 2001 reflects a $44 million benefit related to the recognition of the effect of the difference between the financial reporting and tax bases of the Company's investment in Stern's Department Stores, Inc. upon disposition. The Company's effective income tax rate of 40.1% for 2000 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets.

The net loss from discontinued operations includes only the results of the operating segment of Fingerhut (including its three catalog subsidiaries, Arizona Mail Order, Figi's, and Popular Club Plan). The net loss from discontinued operations for 2001 was $14 million, compared to a loss of $1,005 million for 2000. The loss in 2000 included $882 million of pre-tax charges related to intangible, investment and fixed asset write-downs and other costs and expenses associated with the downsizing of the Fingerhut core catalog operations. In 2001, the Company also recorded a $770 million loss related to the disposal of Fingerhut, including $292 million of estimated operating losses expected during the wind-down period.

Liquidity and Capital Resources

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

Net cash provided by continuing operating activities in 2002 was $1,168 million, compared to $1,372 million for 2001. Cash provided by operating activities in 2002 reflects smaller decreases in accounts receivable, merchandise inventories, accounts payable and accrued liabilities, an increase in current income taxes and a decrease in deferred income taxes.

Net cash used by continuing investing activities was $637 million for 2002. Continuing investing activities for 2002 included purchases of property and equipment totaling $568 million and capitalized software of $59 million. Continuing investing activities for 2001 included the acquisition of Liberty House at a net cash cost of $175 million, purchases of property and equipment totaling $615 million and capitalized software of $36 million. The Company opened thirteen full line department stores, one home store and one furniture gallery during 2002.

The Company intends to open six new department stores, two new home stores and four furniture galleries in 2003, all before the next Christmas season. The Company's budgeted capital expenditures are approximately $650 million for 2003, $650 million for 2004 and $650 million for 2005. Management presently anticipates funding such expenditures with cash from operations.

Net cash used by the Company for continuing financing activities was $1,375 million in 2002. The Company repaid $1,015 million of borrowings during 2002, consisting principally of $598 million of receivables backed financings and $400 million of 8.125% senior notes. The Company purchased 11.4 million shares of its Common Stock under its stock repurchase program during 2002 at an

approximate cost of $390 million. As of February 1, 2003, the Company had approximately $210 million of the $1,500 million stock repurchase program 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.

Net cash provided to the Company by discontinued operations was $924 million, after the payment of approximately $529 million of related debt, for the 52 weeks ended February 1, 2003, primarily due to the sale of Fingerhut's core catalog accounts receivable portfolio and the sale of the Arizona Mail Order, Figi's and Popular Club Plan businesses and various other Fingerhut assets.

The Company finances its proprietary credit card receivables, which arise solely from sales originated in the conduct of the Company's retail operations, using on-balance sheet financing arrangements, including term receivables-backed certificates issued by a subsidiary of the Company together with receivables-backed commercial paper issued by another subsidiary of the Company. At February 1, 2003, these arrangements included a $375 million asset-backed commercial paper program. Under the $375 million commercial paper program, a special purpose subsidiary of the Company issues commercial paper backed by a Class A Variable Funding Certificate issued out of the Prime Credit Card Master Trust which holds the proprietary receivables. If the subsidiary is unable to issue commercial paper to fund maturities of outstanding commercial paper, it has a liquidity facility with a number of banks which will fund loans in order to repay the commercial paper. The commercial paper investors have no recourse back to the Company. As of February 1, 2003, and February 2, 2002, there was no such commercial paper or loan outstanding.

The Company finances its non-proprietary credit card receivables, which arise from transactions originated by merchants that accept third-party credit cards issued by the Company's FDS Bank subsidiary, using on-balance sheet financing arrangements. Under these arrangements, a special purpose subsidiary of the Company sells Class A and Class B Variable Funding Certificates issued out of the Prime Credit Card Master Trust II ("Trust II") which holds the non-proprietary receivables to three unrelated bank commercial paper conduit programs. The commercial paper conduit programs have agreed to purchase certificates of up to $700 million in the aggregate. Receivables-backed financings classified as short-term debt at February 1, 2003, consist of $486 million of debt under these arrangements.

Prior to July 2002, the Company financed its non-proprietary credit card receivables through an off-balance sheet sale arrangement. During July 2002, in connection with the extension of the financing arrangement related to the Company's non-proprietary credit card receivables, the Company's special purpose subsidiary took certain actions which resulted in the consolidation of Trust II for financial reporting purposes. In particular, the documentation governing the arrangement was amended to provide the Company's special purpose subsidiary the ability to unilaterally remove transferred assets from Trust II. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this amendment disqualified the arrangement for sale treatment and requires secured borrowing treatment for all sales of the Company's non-proprietary credit card receivables pursuant to this arrangement. The principal assets and liabilities of Trust II consist of non-proprietary credit card receivables transferred by the Company to Trust II in transactions previously accounted for as sales under SFAS No. 140 and the related debt issued by Trust II. As a result of the Company's actions, the transfer of receivables and debt are being treated as secured borrowings as of and subsequent to July 5, 2002. All assets and liabilities of Trust II were consolidated at fair value. These actions increased the Company's consolidated assets and debt by $479 million at July 5, 2002.

The Company is a party to a five-year $1,200 million revolving credit facility that expires in June 2006 and a 364-day $400 million revolving credit facility that expires in June 2003 (which the Company expects to extend annually, subject to an assessment of liquidity needs). At February 1, 2003, the Company had no borrowings outstanding under either of these facilities, but had $31 million of letters of credit outstanding under the five-year facility. The issuance of commercial paper under the Company's $1,600 million unsecured commercial paper facility program will have the effect, while such commercial paper is outstanding, of reducing the Company's borrowing capacity under the Company's $1,600 million bank credit agreements by an amount equal to the face amount of such commercial paper. As of February 1, 2003, there was no such commercial paper outstanding. The credit agreements governing those facilities require the Company to maintain a specified interest coverage ratio of no less than 3.25 and a specified leverage ratio of no more than .62. At February 1, 2003, the Company was in compliance with these requirements by significant margins. Management believes that the likelihood of the Company defaulting on the foregoing debt covenants is remote absent any material negative event affecting the U.S. economy as a whole. However, if the Company's results of operations or operating ratios deteriorate to a point where the Company is not in compliance with any of its debt covenants and the Company is unable to obtain a waiver, much of the Company's debt would be in default and could become due and payable immediately.

At February 1, 2003, the Company had contractual obligations as follows:

	Obligations Due by Period				
	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
			(millions)		
Short-term debt	$ 940	$ 940	$ –	$ –	$ –
Long-term debt	3,354	–	653	1	2,700
Capital lease obligations	116	11	20	16	69
Operating leases	2,709	162	308	296	1,943
Letters of credit	53	53	–	–	–
	$7,172	$1,166	$981	$313	$4,712

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 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. For short term liquidity, the Company also relies on its $1,600 million unsecured commercial paper facility, a $375 million asset-backed commercial paper program relating to the Company's proprietary credit card receivables and three asset-backed bank conduit commercial paper programs relating to the Company's non-proprietary credit card receivables (discussed above) in an aggregate amount of $700 million. Access to the unsecured commercial paper program is dependent on the Company's credit rating; a downgrade in its short-term rating would hinder its ability to access this market. If the Company is unable to access the unsecured commercial paper market, it has the ability to access $1,600 million pursuant to its bank credit

agreements. These bank credit agreements have no "material adverse change" condition for utilization. The asset-backed commercial paper programs are used to finance the Company's proprietary and non-proprietary credit card receivables. These programs are extended annually and can be used to finance the receivables as long as the net portfolio yields remain positive. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt (both unsecured and asset-backed) 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.

Critical Accounting Policies

Allowance for Doubtful Accounts

The Company evaluates the collectibility of its proprietary and non-proprietary accounts receivable based on a combination of factors, including analysis of historical trends, aging of accounts receivable, write-off experience and expectations of future performance. Proprietary and non-proprietary accounts receivable are considered delinquent if more than one scheduled minimum payment is missed. Delinquent proprietary accounts are generally written off automatically after the passage of 210 days without receiving a full scheduled monthly payment. Delinquent non-proprietary accounts are written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. The Company reserves for doubtful proprietary accounts based on a loss-to-collections rate and doubtful non-proprietary accounts based on a roll-reserve rate. At February 1, 2003, a 0.1 percentage point change in the result of the loss-to-collections rate would impact the proprietary reserve for doubtful accounts by approximately $2 million. At February 1, 2003, a 0.1 percentage point change in the result of the roll-reserve rate would impact the non-proprietary reserve for doubtful accounts by approximately $1 million.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. Inventory retail values are converted to a cost basis by applying specific average cost factors for each merchandise department. Cost factors represent the average cost-to-retail ratio for each merchandise department based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and contains estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently mark down merchandise, the resulting gross profit reduction is recognized in the

period the markdown is recorded. The Company receives cash allowances from merchandise vendors as purchase price adjustments. Purchase price adjustments are credited to cost of sales in accordance with Emerging Issues Task Force ("EITF") Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor."

Shrinkage is estimated as a percentage of sales for the period from the last inventory date to the end of the fiscal period. Such estimates are based on experience and the most recent physical inventory results. While it is not possible to quantify the impact from each cause of shrinkage, the Company has loss prevention programs and policies that minimize shrinkage experience. Physical inventories are taken within each merchandise department at least twice annually and inventory records are adjusted accordingly.

Long-Lived Asset Impairment and Restructuring Charges

The carrying value of long-lived assets are periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred. For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

For long-lived assets held for disposal by sale, an impairment charge is recorded if the carrying amount of the assets exceeds its fair value less costs to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale. For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, depreciation estimates are revised accordingly. In addition, liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

Self-Insurance Reserves

The Company is self-insured for workers compensation and public liability claims up to certain maximum liability amounts. Although the amounts accrued are actuarially determined based on analysis of historical trends of losses, settlements, litigation costs and other factors, the amounts the Company will ultimately disburse could differ from such accrued amounts.

Pension and Supplementary Retirement Plans

The Company has a funded defined benefit pension plan (the "Pension Plan") and an unfunded defined benefit supplementary retirement plan (the "SERP"). The Company accounts for these plans using SFAS No. 87, "Employers' Accounting for Pensions." Under SFAS No. 87, pension expense is recognized on an accrual basis over employees' approximate service periods. Pension expense calculated under SFAS No. 87 is generally independent of funding decisions or requirements.

The fair value of the Pension Plan assets decreased from $1,480 million at February 2, 2002 to $1,276 million at February 1, 2003. Lower investment returns (in the case of the Pension Plan), benefit payments and declining discount rates resulted in the funded status of the Pension Plan changing from $83 million overfunded at February 2, 2002 to $207 million underfunded at February 1, 2003 and the underfunded status of the SERP increasing from $180 million at February 2, 2002 to $216 million at February 1, 2003. Funding requirements for the Pension Plan are determined by government regulations, not SFAS No. 87. Although no funding contribution was required, the Company made a $50 million voluntary funding contribution to the Pension Plan in 2002. The Company currently anticipates that it will not be required to make any additional contribution to the Pension Plan until 2005.

At February 1, 2003, the Company had unrecognized actuarial losses of $513 million for the Pension Plan and $90 million for the SERP. These losses will be recognized as a component of pension expense in future years in accordance with SFAS No. 87.

The calculation of pension expense and pension liability requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience may differ significantly from current expectations. The Company believes that the most critical assumptions relate to the long-term rate of return on plan assets (in the case of the Pension Plan), the discount rate used to determine the present value of projected benefit obligations and the weighted average rate of increase of future compensation levels.

The Company has assumed that the Pension Plan assets will generate a long-term rate of return of 9.0% for 2003. This rate is lower than the assumed rate of 9.75% used for 2002. The Company develops its long-term rate of return assumption by evaluating input from several professional advisors taking into account the asset allocation of the portfolio and long-term asset class return expectations, as well as long-term inflation assumptions. Pension expense increases as the expected rate of return on the Pension Plan assets decreases. Lowering the expected long-term rate of return on the Pension Plan assets by 0.75% (from 9.75% to 9.0%) increased the estimated 2003 pension expense by approximately $12 million.

The Company discounted its future pension obligations using a rate of 6.75% at December 31, 2002, compared to 7.25% at December 31, 2001. The Company determines the appropriate discount rate based on the current yield earned on an index of investment-grade long-term bonds. Pension liability and future pension expense both increase as the discount rate is reduced. Lowering the discount rate by 0.50% (from 7.25% to 6.75%) increased pension liability at February 1, 2003 by approximately $69 million and increased estimated 2003 pension expense by approximately $4 million.

The assumed weighted average rate of increase in future compensation levels was 5.8% as of December 31, 2002 and December 31, 2001 for the Pension Plan and 7.7% as of December 31, 2002 and December 31, 2001 for the SERP. The Company develops its increase of future compensation level assumption based on recent experience. Pension liability and future pension expense both increase as the weighted average rate of increase of future compensation levels is increased. Increasing the weighted average rate of increase of future compensation levels by 0.25% would increase the projected benefit obligation at February 1, 2003 by approximately $6 million and increase estimated 2003 pension expense by approximately $1 million.

Discontinued Operations

At February 2, 2002, discontinued operations included management’s best estimates of the amounts expected to be realized on the sale or wind-down of assets and businesses of the Fingerhut operations,

including the Arizona Mail Order, Figis and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, as well as estimates regarding the timing of those dispositions. As a result of uncertainties inherent in those estimates, the amount of loss actually experienced by the Company differed from the estimated loss. All adjustments between the recorded amounts at February 2, 2002 and what was actually realized were recorded in the statement of operations during the 52 weeks ended February 1, 2003.

Included in the estimated loss on disposal, the Company recorded losses related to Fingerhut's core catalog accounts receivable portfolio through an estimated four year wind-down period. The calculated loss included estimates regarding customer payment rates, write-off rates, finance charge income, late fee income, and operating expenses, such as collection costs, necessary to carry out the wind-down of the portfolio. These estimates were based on a third party offer to purchase the portfolio, historical experience and industry data where available.

The estimated loss from the Fingerhut core catalog operations during the wind-down period included assumptions of revenues to be earned and estimated expenses to be incurred based on historical experience as well as through detailed departmental plans regarding the costs necessary to complete the liquidation in the planned timeframe.

Losses on inventory were recognized based on estimated recovery values expected to be received from a third party liquidator. Write-downs of property, plant and equipment were based on historical recovery rates for similar liquidations of personal property and brokerage quotes, where available, for real estate properties. Other assets, such as tradenames, customer lists, supplies, prepaid expenses, and capitalized software, were written-down to estimated net realizable value, which in some cases was zero due to their lack of marketability.

The loss on sale of the Fingerhut subsidiaries was estimated using market value quotes from an investment bank, projected net book values of each subsidiary at the expected sale dates, and expenses necessary to disconnect the subsidiaries' support functions from Fingerhut's core catalog operations.

Severance and retention were estimated based on the then current workforce, employment needs through the wind-down period, employment agreements where applicable, years of service, and estimated payout based on the general severance and retention plan offered to employees. Remaining lease obligations or contractual cancellation penalties were estimated based on a review of the contract terms in place.

Estimated interest expense was allocated to discontinued operations based upon the debt balances attributable to those operations.

As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled.

New Pronouncements

In 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," and clarifies the requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The adoption of this statement did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds or amends existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. SFAS No. 145 is effective for transactions occurring after May 15, 2002. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Also in 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" and APB Opinion No. 28, "Interim Financial Reporting" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation and amends the disclosure provisions therein. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2002, the FASB issued EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor." This issue addresses the reseller's accounting for cash consideration received from a vendor. The Company's current accounting policy related to certain consideration received from a vendor is consistent with the provisions of this issue and therefore, the Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Outlook

On February 25, 2003, the Company issued earnings guidance for 2003 and expects to achieve earnings per share from continuing operations of $3.05 to $3.25: 14 to 19 cents a share in the first quarter, 55 to 60 cents a share in the second quarter and $2.44 to $2.54 a share in the second half of the fiscal year, which ends January 31, 2004. These estimates include store-closing costs of $35 million in the first quarter and $5 million in both the second quarter and the second half of the year. Additionally, comparable store sales of flat to down 1.5 percent is forecasted for 2003: down 2 to 3 percent in the first quarter, down 1 to 2 percent in the second quarter and between down 1 percent to up 1 percent in the second half of 2003. In estimating comparable store sales and earnings per share, the Company assumed that general economic conditions and consumer confidence and demand would be such that the forecasted amounts of comparable store sales would be achieved, the gross margin rate would be flat for the year, although it is likely to be down compared to 2002 for the first half of the year, and SG&A dollars, excluding the aforementioned store-closing costs, are assumed to increase 2 to 2.5 percent, with larger increases assumed in the second half of the year when the sales growth is assumed to be higher. The accuracy of these assumptions and of the resulting forecasts is subject to uncertainties and circumstances beyond the Company's control. Consequently, actual results could differ materially from the forecasted results.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates which may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company does not use financial instruments for trading or other speculative purposes and is not a party to any leveraged financial instruments.

The Company is exposed to interest rate risk primarily through its customer lending and borrowing activities, which are described in Notes 6 and 10 to the Consolidated Financial Statements. The majority of the Company's borrowings are under fixed rate instruments. However, the Company, from time to time, may use interest rate swap and interest rate cap agreements to help manage its exposure to interest rate movements and reduce borrowing costs. See Notes 10 and 17 to the Consolidated Financial Statements, which are incorporated herein by reference.

Based on the Company's market risk sensitive instruments (including variable rate debt and derivative financial instruments) outstanding at February 1, 2003, the Company has determined that there was no material market risk exposure to the Company's consolidated financial position, results of operations or cash flows as of such date.

Item 8. Consolidated Financial Statements and Supplementary Data.

Information called for by this item is set forth in the Company's Consolidated Financial Statements and supplementary data contained in this report and is incorporated herein by this reference. Specific financial statements and supplementary data can be found at the pages listed in the following index.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information called for by this item is set forth under Item 1 “Election of Directors” and “Compliance with Section 16(a) of the Securities Exchange Act of 1934” in the Proxy Statement, and in Item 1A “Executive Officers of the Registrant,” and incorporated herein by reference.

Item 11. Executive Compensation.

Information called for by this item is set forth under “Executive Compensation” and “Compensation Committee Report on Executive Compensation” in the Proxy Statement and incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information called for by this item is set forth under “Stock Ownership “ in the Proxy Statement and incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Information called for by this item is set forth under “Certain Relationships and Related Transactions” in the Proxy Statement and incorporated herein by reference.

Item 14. Controls and Procedures

The Company’s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) as of a date within 90 days prior to the filing of this report. 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. Subsequent to the date of this evaluation, there have not been any significant changes in the Company’s internal controls or, to management’s knowledge, in other factors that could significantly affect the Company’s internal controls.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following documents are filed as part of this report:

1. ***Financial Statements:***

The list of financial statements required by this item is set forth in Item 8 "Consolidated Financial Statements and Supplementary Data" and is incorporated herein by reference.

2. ***Financial Statement Schedules:***

All schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the Consolidated Financial Statements or the notes thereto.

3. ***Exhibits:***

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit Number	Description	Document if Incorporated by Reference
3.1	Certificate of Incorporation	Exhibit 3.1 to the Company's Annual Report on Form 10-K (File No. 001-135361) for the fiscal year ended January 28, 1995 (the "1994 Form 10-K")
3.1.1	Certificate of Designations of Series A Junior Participating Preferred Stock	Exhibit 3.1.1 to the 1994 Form 10-K
3.2	By-Laws	Exhibit 4.3 to the Company's Registration Statement on Form S-8 filed on April 1, 2003
4.1	Certificate of Incorporation	See Exhibits 3.1 and 3.1.1
4.2	By-Laws	See Exhibit 3.2
4.3	Rights Agreement, dated as of December 19, 1994, between the Company and the Bank of New York, as rights agent	Exhibit 4.3 to the 1994 Form 10-K
4.4	Indenture, dated as of December 15, 1994, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 4.1 to the Company's Registration Statement on Form S-3 (Registration No. 33- 88328) filed on January 9, 1995

Exhibit Number	Description	Document if Incorporated by Reference
4.4.1	Seventh Supplemental Indenture, dated as of May 22, 1996, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 4 to the Company's Current Report on Form 8-K, dated as of May 21, 1996
4.4.2	Eighth Supplemental Indenture, dated as of July 14, 1997, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 2 to the Company's Current Report on Form 8-K dated as of July 15, 1997 (the "July 1997 Form 8-K")
4.4.3	Ninth Supplemental Indenture, dated as of July 14, 1997, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 3 to the July 1997 Form 8-K
4.5	Indenture, dated as of September 10, 1997, between the Company and Citibank, N.A., as Trustee	Exhibit 4.4 to the Company's Amendment Number 1 to Form S-3 dated as of September 11, 1997
4.5.1	First Supplemental Indenture, dated as of February 6, 1998, between the Company and Citibank, N.A., as Trustee	Exhibit 2 to the Company's Current Report on Form 8-K dated as of February 6, 1998
4.5.2	Third Supplemental Trust Indenture, dated as of March 24, 1999, between the Company and Citibank, N.A., as Trustee	Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333- 76795) dated as of April 22, 1999
4.5.3	Fourth Supplemental Trust Indenture, dated as of June 6, 2000, between the Company and Citibank, N.A., as Trustee	Exhibit 4.1 to the Company's Current Report on Form 8-K, dated as of June 5, 2000
4.5.4	Fifth Supplemental Trust Indenture dated as of March 27, 2001, between the Company and Citibank, N.A., as Trustee	Exhibit 4 to the Company's Current Report on Form 8-K dated as of March 21, 2001
4.5.5	Sixth Supplemental Trust Indenture dated as of August 23, 2001, between the Company and Citibank, N.A., as Trustee	Exhibit 4 to the Company's Current Report on Form 8-K dated as of August 22, 2001

Exhibit Number	Description	Document if Incorporated by Reference
10.1	Amended and Restated 364-Day Credit Agreement, dated as of June 28, 2002, by and among the Company, as Borrower, the Initial Lenders Named Herein, as Initial Lenders, Citibank, N.A., as Administrative Agent and as Paying Agent, JPMorgan Chase Bank, as Administrative Agent, Fleet National Bank, as Syndication Agent, Bank of America, N.A., Credit Suisse First Boston and U.S. Bank National Association, as Documentation Agents, and Salomon Smith Barney, Inc. and J.P. Morgan Securities, Inc., as lead arrangers and bookrunners (the "364 Day Credit Agreement")	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended August 3, 2002 (the "August 2002 Form 10-Q")
10.1.1	Letter Amendment to the 364-Day Credit Agreement, dated October 21, 2002	
10.2	Five-Year Credit Agreement, dated as of June 29, 2001, by and among the Company, the Initial Lenders named therein, Citibank, N.A., as Administrative Agent and Paying Agent, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Administrative Agent, Fleet National Bank, as Syndication Agent, and the Bank of America, N. A., The Bank of New York and Credit Suisse First Boston, as Documentation Agents (the "Five Year Credit Agreement")	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended August 4, 2001
10.2.1	Letter Amendment to the Five-Year Credit Agreement, dated as of October 21, 2002	
10.3	Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (the "Pooling and Servicing Agreement"), among the Company, Prime Receivables Corporation ("Prime") and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), successor to Chemical Bank, as Trustee	Exhibit 4.10 to Prime's Current Report on Form 8-K (File No. 0-2118), dated March 29, 1993
10.3.1	First Amendment, dated as of December 1, 1993, to the Pooling and Servicing Agreement	Exhibit 10.10.1 to the Company's Annual Report on Form 10-K (File No. 1-10951) for the fiscal year ended January 29, 1994 (the "1993 Form 10-K")

Exhibit Number	Description	Document if Incorporated by Reference
10.3.2	Second Amendment, dated as of February 28, 1994, to the Pooling and Servicing Agreement	Exhibit 10.10.2 to the 1993 Form 10-K
10.3.3	Third Amendment, dated as of May 31, 1994, to the Pooling and Servicing Agreement	Exhibit 10.8.3 to the 1994 Form 10-K
10.3.4	Fourth Amendment, dated as of January 18, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.4 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 3, 1996 (the "1995 Form 10-K")
10.3.5	Fifth Amendment, dated as of April 30, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.5 to the 1995 Form 10-K
10.3.6	Sixth Amendment, dated as of July 27, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.6 to the 1995 Form 10-K
10.3.7	Seventh Amendment, dated as of May 14, 1996, to the Pooling and Servicing Agreement	Exhibit 10.6.7 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 1, 1997 (the "1996 Form 10-K")
10.3.8	Eighth Amendment, dated as of March 3, 1997, to the Pooling and Servicing Agreement	Exhibit 10.6.8 to the 1996 Form 10-K
10.3.9	Ninth Amendment, dated as of August 28, 1997, to the Pooling and Servicing Agreement	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended November 1, 1997
10.3.10	Tenth Amendment, dated as of August 3, 1998, to the Pooling and Servicing Agreement	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended October 31, 1998
10.3.11	Eleventh Amendment, dated as of March 23, 2000, to the Pooling and Servicing Agreement	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 29, 2000 (the "July 2000 Form 10-Q")
10.3.12	Twelfth Amendment, dated as of November 20, 2001, to the Pooling and Servicing Agreement	Exhibit 10.3.12 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 2, 2002 (the "2001 Form 10-K")
10.4	Assumption Agreement under the Pooling and Servicing Agreement, dated as of September 15, 1993	Exhibit 10.10.3 to the 1993 Form 10-K
10.5	Series 1992-3 Supplement, dated as of January 5, 1993, to the Pooling and Servicing Agreement	Exhibit 4.8 to Prime's Current Report on Form 8-K (File No. 0-2118), dated January 29, 1993

Exhibit Number	Description	Document if Incorporated by Reference
10.6	Series 2000-1 Supplement, dated as of December 7, 2000, to Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992	Exhibit 1 to Prime's Current Report on Form 8-K (File No. 033-52374), dated December 27, 2000
10.7	Receivables Purchase Agreement, dated as of December 15, 1992 (the "Receivables Purchase Agreement"), among Abraham & Straus, Inc., Bloomingdale's, Inc., Burdines, Inc., Jordan Marsh Stores Corporation, Lazarus, Inc., Rich's Department Stores, Inc., Stern's Department Stores, Inc., The Bon, Inc. and Prime	Exhibit 10.2 to Prime's Registration Statement on Form 8-A filed January 22, 1993, as amended
10.7.1	First Amendment, dated as of June 23, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.1 to 1993 Form 10-K
10.7.2	Second Amendment, dated as of December 1, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.2 to 1993 Form 10-K
10.7.3	Third Amendment, dated as of February 28, 1994, to the Receivables Purchase Agreement	Exhibit 10.14.3 to 1993 Form 10-K
10.7.4	Fourth Amendment, dated as of May 31, 1994, to the Receivables Purchase Agreement	Exhibit 10.13.4 to the 1994 Form 10-K
10.7.5	Fifth Amendment, dated as of April 30, 1995, to the Receivables Purchase Agreement	Exhibit 10.12.5 to the 1995 Form 10-K
10.7.6	Sixth Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement	Exhibit 10.13.6 to the 1996 Form 10-K
10.7.7	Seventh Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement	Exhibit 10.13.7 to the 1996 Form 10-K
10.7.8	Eighth Amendment, dated as of May 14, 1996, to the Receivables Purchase Agreement	Exhibit 10.13.8 to the 1996 Form 10-K
10.7.9	Ninth Amendment, dated as of March 3, 1997, to the Receivables Purchase Agreement	Exhibit 10.13.9 to the 1996 Form 10-K
10.7.10	Tenth Amendment, dated as of March 23, 2000, to the Receivables Purchase Agreement	Exhibit 10.2 to the July 2000 Form 10-Q
10.7.11	Eleventh Amendment, dated as of November 20, 2001, to Receivables Purchase Agreement	Exhibit 10.10.11 to the 2001 Form 10-K
10.7.12	First Supplement, dated as of September 15, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.4 to 1993 Form 10-K

Exhibit Number	Description	Document if Incorporated by Reference
10.7.13	Second Supplement, dated as of May 31, 1994, to the Receivables Purchase Agreement	Exhibit 10.12.7 to the 1995 Form 10-K
10.8	Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, now known as Seven Hills Funding Corporation ("Seven Hills"), the Company, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Depository	Exhibit 10.15 to Company's Annual Report on Form 10-K (File No. 1-10951) for the fiscal year ended January 30, 1993 ("1992 Form 10-K")
10.9	Liquidity Agreement, dated as of December 31, 1992, among Seven Hills, the Company, the financial institutions named therein, and Credit Suisse, New York Branch, as Liquidity Agent	Exhibit 10.16 to 1992 Form 10-K
10.10	Pledge and Security Agreement, dated as of December 31, 1992, among Seven Hills, the Company, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Depository and Collateral Agent, and the Liquidity Agent	Exhibit 10.17 to 1992 Form 10-K
10.11	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Seven Hills, the Company, and Goldman Sachs Money Markets, L.P.	Exhibit 10.18 to 1992 Form 10-K
10.12	Commercial Paper Dealer Agreement, dated as of November 2, 2001, between Seven Hills, the Company and Banc One Capital Markets, Inc.	Exhibit 10.18 to the 2001 Form 10-K
10.13	Commercial Paper Dealer Agreement, dated as of November 15, 2001, between Seven Hills, the Company and Credit Suisse First Boston	Exhibit 10.19 to the 2001 Form 10-K
10.14	Receivables Purchase Agreement, dated as of January 22, 1997, among FDS Bank (successor in interest to FDS National Bank) and Prime II Receivables Corporation ("Prime II")	Exhibit 10.19 to the 1996 Form 10-K

Exhibit Number	Description	Document if Incorporated by Reference
10.15	Class A Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS Bank (successor in interest to FDS National Bank), The Class A Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent	Exhibit 10.20 to the 1996 Form 10-K
10.16	Class B Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS Bank (successor in interest to FDS National Bank), The Class B Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent	Exhibit 10.21 to the 1996 Form 10-K
10.17	Class A Certificate Purchase Agreement, dated as of July 6, 1999, by and among Prime II, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, The Class A Purchasers, and PNC Bank, National Association, as Agent and Administrative Agent (the "1999 Class A Certificate Purchase Agreement")	Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended July 31, 1999 (the "July 1999 Form 10-Q")
10.17.1	First Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of August 3, 1999	Exhibit 10.7 to the July 1999 Form 10-Q
10.17.2	Second Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of October 10, 2000	Exhibit 10.27.2 to the Company's Annual Report on Form 10-K (File No. 1-13536) for fiscal year ended February 3, 2001 (the "2000 Form 10-K")
10.17.3	Third Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of July 30, 2002	Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q/ A for the period ended August 3, 2002 (the "August 2002 Form 10-Q/ A")
10.18	Class B Certificate Purchase Agreement, dated as of July 6, 1999, by and among Prime II, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, The Class A Purchasers, and PNC Bank, National Association, as Agent and Administrative Agent (the "1999 Class B Certificate Purchase Agreement")	Exhibit 10.8 to the July 1999 Form 10-Q
10.18.1	First Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of August 3, 1999	Exhibit 10.9 to the July 1999 Form 10-Q

Exhibit Number	Description	Document if Incorporated by Reference
10.18.2	Second Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of October 10, 2000	Exhibit 10.28.2 to the 2000 Form 10-K
10.18.3	Third Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of July 30, 2002	Exhibit 10.4 to the August 2002 Form 10-Q/ A
10.19	Class A Certificate Purchase Agreement, dated as of November 6, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, The Class A Purchasers, and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent	
10.20	Class B Certificate Purchase Agreement, dated as of November 6, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, The Class A Purchasers, and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent	
10.21	Pooling and Servicing Agreement, dated as of January 22, 1997, (the “Prime II Pooling and Servicing Agreement”) among Prime II, FDS Bank (successor in interest to FDS National Bank) and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee	Exhibit 10.22 to the 1996 Form 10-K
10.21.1	First Amendment to Prime II Pooling and Servicing Agreement, dated as of July 5, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, and JPMorgan Chase Bank, as Trustee	Exhibit 10.2 to the August 2002 Form 10-Q
10.22	Series 1997-1 Variable Funding Supplement, dated as of January 22, 1997, to the Prime II Pooling and Servicing Agreement	Exhibit 10.23 to the 1996 Form 10-K
10.22.1	First Amendment to Series 1997-1 Variable Funding Supplement, dated as of June 19, 2000, to the Prime II Pooling and Servicing Agreement	Exhibit 10.4 to the July 2000 Form 10-Q
10.22.2	Second Amendment to Series 1997-1 Variable Funding Supplement, dated as of July 5, 2002, to the Prime II Pooling and Servicing Agreement	Exhibit 10.5 to the August 2002 Form 10-Q

Exhibit Number	Description	Document if Incorporated by Reference
10.23	Series 1999-1 Variable Funding Supplement, dated as of July 6, 1999, to the Prime II Pooling and Servicing Agreement	Exhibit 10.5 to the July 1999 Form 10-Q
10.23.1	First Amendment to Series 1999-1 Variable Funding Supplement, dated as of August 1, 2000, to the Prime II Pooling and Servicing Agreement	Exhibit 10.3 to the July 2000 Form 10-Q
10.23.2	Second Amendment to Series 1999-1 Variable Funding Supplement, dated as of July 5, 2002, to the Prime II Pooling and Servicing Agreement	Exhibit 10.6 to the August 2002 Form 10-Q
10.24	Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002, to the Prime II Pooling and Servicing Agreement	
10.25	Commercial Paper Issuing and Paying Agent Agreement, dated as of January 30, 1997, between Citibank, N.A. and the Company	Exhibit 10.25 to the 1996 Form 10-K
10.26	Commercial Paper Dealer Agreement, dated as of March 12, 1999, between the Company, as Issuer, and Goldman Sachs & Co., as Dealer	Exhibit 10.2 to the May 1999 Form 10-Q
10.27	Commercial Paper Dealer Agreement, dated as of March 12, 1999, between the Company, as Issuer, and Banc One Capital Markets, Inc. (successor in interest to First Chicago Capital Markets, Inc.), as Dealer	Exhibit 10.3 to the May 1999 Form 10-Q
10.28	Commercial Paper Dealer Agreement, dated as of March 12, 1999, between the Company, as Issuer, and J.P. Morgan Securities Inc. (formerly known as Chase Securities, Inc.), as Dealer	Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended May 1, 1999 (the "May 1999 Form 10-Q")
10.29	Tax Sharing Agreement	Exhibit 10.10 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10")
10.30	Ralphs Tax Indemnification Agreement	Exhibit 10.1 to Form 10

Exhibit Number	Description	Document if Incorporated by Reference
10.31	Account Purchase Agreement dated as of May 10, 1991, by and among Monogram Bank, USA, Macy's, Macy Credit Corporation, Macy Funding, Macy's California, Inc., Macy's Northeast, Inc., Macy's South, Inc., Bullock's Inc., I. Magnin, Inc., Master Servicer, and Macy Specialty Stores, Inc. **	Exhibit 19.2 to Macy's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1991 (File No. 33-6192), as amended under cover of Form 8, dated October 3, 1991
10.32	Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, among GE Capital Consumer Card Co. ("GE Bank"), FDS Bank (successor in interest to FDS National Bank), Macy's East, Inc., Macy's West, Inc., Federated Western Properties, Inc. (successor in interest to Bullock's, Inc. and Broadway Stores, Inc.), FACS Group, Inc., and MSS-Delaware, Inc. **	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended August 3, 1996 (the "August 1996 Form 10-Q")
10.33	Amended and Restated Trade Name and Service Mark License Agreement, dated as of June 4, 1996, among the Company, GE Bank and General Electric Capital Corporation ("GE Capital")	Exhibit 10.2 to the August 1996 Form 10-Q
10.34	FACS Credit Services and License Agreement, dated as of June 4, 1996, by and among GE Bank, GE Capital and FACS Group, Inc. **	Exhibit 10.3 to the August 1996 Form 10-Q
10.35	FDS Guaranty, dated as of June 4, 1996	Exhibit 10.4 to the August 1996 Form 10-Q
10.36	GE Capital Credit Services and License Agreement, dated as of June 4, 1996, among GE Capital, FDS Bank (successor in interest to FDS National Bank), the Company and FACS Group, Inc. **	Exhibit 10.5 to the August 1996 Form 10-Q
10.37	GE Capital/ GE Bank Credit Services Agreement, dated as of June 4, 1996, among GE Capital and GE Bank **	Exhibit 10.6 to the August 1996 Form 10-Q

Exhibit Number	Description	Document if Incorporated by Reference
10.38	Amended and Restated Commercial Accounts Agreement, dated as of June 4, 1996, among GE Capital, the Company, FDS Bank (successor in interest to FDS National Bank), Macy's East, Inc., Macy's West, Inc., Federated Western Properties, Inc. (successor in interest to Bullock's, Inc. and Broadway Stores, Inc.), FACS Group, Inc. and MSS-Delaware, Inc. **	Exhibit 10.7 to the August 1996 Form 10-Q
10.39	1992 Executive Equity Incentive Plan *	Exhibit 10.12 to Form 10
10.40	1995 Executive Equity Incentive Plan, as amended and restated as of May 19, 2000 *	Appendix A to the Company's proxy statement on Schedule 14A, filed April 19, 2000
10.41	1992 Incentive Bonus Plan, as amended and restated as of May 17, 2002*	Appendix A to the Company's Proxy Statement filed on April 17, 2002
10.42	Form of Indemnification Agreement*	Exhibit 10.14 to Form 10
10.43	Senior Executive Medical Plan*	Exhibit 10.1.7 to the Company's Annual Report on Form 10-K (File No. 1-163) for the fiscal year ended February 3, 1990
10.44	Employment Agreement, dated as of August 27, 1999, between James M. Zimmerman and the Company (the "Zimmerman Employment Agreement")*	Exhibit 10.50 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000
10.44.1	Amended Exhibit A, dated as of June 8, 2001, to the Zimmerman Employment Agreement	
10.44.2	Amended Exhibit A, dated as of February 26, 2003, to the Zimmerman Employment Agreement	
10.45	Employment Agreement, dated as of March 1, 2003, between Terry J. Lundgren and the Company*	
10.46	Form of Employment Agreement for Executives and Key Employees*	Exhibit 10.31 to 1993 Form 10-K
10.47	Form of Severance Agreement (for Executives and Key Employees other than Executive Officers)*	Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 (the '1998 Form 10-K')
10.48	Form of Second Amended and Restated Severance Agreement (for Executive Officers)*	Exhibit 10.45 to the 1998 Form 10-K

Exhibit Number	Description	Document if Incorporated by Reference
10.49	Supplementary Executive Retirement Plan, as amended and restated as of January 1, 1997*	Exhibit 10.46 to the 1996 Form 10-K
10.50	Executive Deferred Compensation Plan, as amended*	Exhibit 10.47 to the 1996 Form 10-K
10.51	Profit Sharing 401(k) Investment Plan (amending and restating the Retirement Income and Thrift Incentive Plan) effective as of April 1, 1997*	Exhibit 10.48 to the 1996 Form 10-K
10.52	Cash Account Pension Plan (amending and restating the Company Pension Plan) effective as of January 1, 1997*	Exhibit 10.49 to the 1996 Form 10-K
21	Subsidiaries	
22	Consent of KPMG LLP	
23	Powers of Attorney	
99	Certifications by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act	

* Constitutes a compensatory plan or arrangement.

** Confidential portions of this Exhibit were omitted and filed separately with the SEC pursuant to Rule 24b-2 under the Exchange Act.

(b) Reports on Form 8-K.

(i) Current report on Form 8-K, dated November 18, 2002, reporting matters under item 9 thereof.

(ii) Current report on Form 8-K, dated November 25, 2002, reporting matters under item 9 thereof.

(iii) Current report on Form 8-K, dated December 9, 2002, reporting matters under item 9 thereof.

(iv) Current report on Form 8-K, dated December 16, 2002, reporting matters under item 9 thereof.

(v) Current report on Form 8-K, dated December 17, 2002, reporting matters under item 9 thereof.

(vi) Current report on Form 8-K, dated December 23, 2002, reporting matters under item 9 thereof.

(vii) Current report on Form 8-K, dated December 30, 2002, reporting matters under item 9 thereof.

(viii) Current report on Form 8-K, dated January 13, 2003, reporting matters under item 9 thereof.

(ix) Current report on Form 8-K, dated January 21, 2003, reporting matters under item 9 thereof.

(x) Current report on Form 8-K, dated January 27, 2003, reporting matters under item 9 thereof.

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SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

By: /s/ DENNIS J. BRODERICK

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

Date: April 16, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 16, 2003.

Signature	Title
*	Chairman of the Board and Director
James M. Zimmerman *	President and Chief Executive Officer (principal executive officer) and Director
Terry J. Lundgren *	Vice Chair and Director
Ronald W. Tysoe *	Senior Vice President and Chief Financial Officer
Karen M. Hoguet *	Vice President and Controller (principal accounting officer)
Joel A. Belsky *	Director
Meyer Feldberg *	Director
Earl G. Graves, Sr. *	Director
Sara Levinson *	Director
Joseph Neubauer *	Director
Joseph A. Pichler *	Director
Karl M. von der Heyden *	Director
Craig E. Weatherup *	Director
Marna C. Whittington	

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors and filed herewith.

By: /s/ DENNIS J. BRODERICK

Dennis J. Broderick
Attorney-in-Fact

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of Federated Department Stores, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ TERRY L. LUNDGREN

Terry L. Lundgren

April 16, 2003

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

1. I have reviewed this annual report on Form 10-K of Federated Department Stores, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ KAREN M. HOGUET

Karen M. Hoguet

April 16, 2003

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

To the Shareholders of

Federated Department Stores, Inc.:

The integrity and consistency of the consolidated financial statements of Federated Department Stores, Inc. and subsidiaries, which were prepared in accordance with accounting principles generally accepted in the United States of America, are the responsibility of management and properly include some amounts that are based upon estimates and judgments.

The Company maintains a system of internal accounting controls, which is supported by a program of internal audits with appropriate management follow-up action, to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and transactions are properly recorded. Additionally, the integrity of the financial accounting system is based on careful selection and training of qualified personnel, organizational arrangements which provide for appropriate division of responsibilities and communication of established written policies and procedures.

The consolidated financial statements of the Company have been audited by KPMG LLP, independent certified public accountants. Their report expresses their opinion as to the fair presentation, in all material respects, of the financial statements and is based upon their independent audits conducted in accordance with auditing standards generally accepted in the United States of America.

The Audit Review Committee, composed solely of outside directors, meets periodically with the independent certified public accountants, the internal auditors and representatives of management to discuss auditing and financial reporting matters. In addition, the independent certified public accountants and the Company's internal auditors meet periodically with the Audit Review Committee without management representatives present and have free access to the Audit Review Committee at any time. The Audit Review Committee is responsible for recommending to the Board of Directors the engagement of the independent certified public accountants, which is subject to shareholder approval, and the general oversight review of management's discharge of its responsibilities with respect to the matters referred to above.

James M. Zimmerman

Chairman

Terry J. Lundgren

President and Chief Executive Officer

Karen M. Hoguet

Senior Vice President, Chief Financial Officer

Joel A. Belsky

Vice President and Controller

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Federated Department Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of February 1, 2003 and February 2, 2002, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the fifty-two week period ended February 1, 2003, the fifty-two week period ended February 2, 2002 and the fifty-three week period ended February 3, 2001. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries as of February 1, 2003 and February 2, 2002, and the results of their operations and their cash flows for the fifty-two week period ended February 1, 2003, the fifty-two week period ended February 2, 2002 and the fifty-three week period ended February 3, 2001, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the consolidated financial statements, during the fifty-two week period ended February 1, 2003, Federated Department Stores, Inc. and subsidiaries adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

KPMG LLP

Cincinnati, Ohio

February 25, 2003

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(millions, except per share data)

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
Net sales	$ 15,435	$ 15,651	$ 16,638
Cost of sales:			
Recurring	9,255	9,531	9,955
Inventory valuation adjustments	–	53	–
Total cost of sales	9,255	9,584	9,955
Selling, general and administrative expenses	4,837	4,801	4,912
Asset impairment charges	–	52	74
Restructuring charges	–	110	6
Operating income	1,343	1,104	1,691
Interest expense	(311)	(331)	(327)
Interest income	16	7	6
Income from continuing operations before income taxes and extraordinary item	1,048	780	1,370
Federal, state and local income tax expense	(410)	(262)	(549)
Income from continuing operations before extraordinary item	638	518	821
Discontinued operations:			
Loss from discontinued operations, net of tax effect	–	(14)	(1,005)
Income (loss) on disposal of discontinued operations, net of tax effect	180	(770)	–
Extraordinary item, net of tax effect	–	(10)	–
Net income (loss)	$ 818	$ (276)	$ (184)
Basic earnings (loss) per share:			
Income from continuing operations	$ 3.23	$ 2.65	$ 4.01
Income (loss) from discontinued operations	.92	(4.01)	(4.91)
Extraordinary item	–	(.05)	–
Net income (loss)	$ 4.15	$ (1.41)	$ (.90)
Diluted earnings (loss) per share:			
Income from continuing operations	$ 3.21	$ 2.59	$ 3.97
Income (loss) from discontinued operations	.91	(3.92)	(4.86)
Extraordinary item	–	(.05)	–
Net income (loss)	$ 4.12	$ (1.38)	$ (.89)

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS

(millions)

	February 1, 2003	February 2, 2002
ASSETS		
Current Assets:		
Cash	$ 716	$ 636
Accounts receivable	2,945	2,379
Merchandise inventories	3,359	3,376
Supplies and prepaid expenses	124	124
Deferred income tax assets	10	21
Assets of discontinued operations	–	1,812
Total Current Assets	7,154	8,348
Property and Equipment – net	6,379	6,506
Goodwill	262	305
Other Intangible Assets – net	378	378
Other Assets	268	575
Total Assets	$ 14,441	$ 16,112
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 946	$ 1,012
Accounts payable and accrued liabilities	2,584	2,645
Income taxes	71	57
Liabilities of discontinued operations	–	1,068
Total Current Liabilities	3,601	4,782
Long-Term Debt	3,408	3,859
Deferred Income Taxes	998	1,345
Other Liabilities	672	562
Shareholders' Equity:		
Common stock (190.2 and 200.8 million shares outstanding)	3	3
Additional paid-in capital	5,106	5,098
Accumulated equity	3,185	2,367
Treasury stock	(2,252)	(1,881)
Unearned restricted stock	(7)	(11)
Accumulated other comprehensive loss	(273)	(12)
Total Shareholders' Equity	5,762	5,564
Total Liabilities and Shareholders' Equity	$ 14,441	$ 16,112

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(millions)

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Unearned Restricted Stock	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 29, 2000	$ 3	$ 4,719	$ 2,827	$ (990)	$ (7)	$ –	$ 6,552
Net loss			(184)				(184)
Minimum pension liability adjustment, net of income tax effect						(2)	(2)
Total comprehensive loss							(186)
Stock repurchases				(601)			(601)
Stock issued under stock plans		8		8	(5)		11
Stock issued upon exercise of warrants		35					35
Restricted stock plan amortization					6		6
Deferred compensation plan distributions				1			1
Income tax benefit related to stock plan activity		4					4
Balance at February 3, 2001	3	4,766	2,643	(1,582)	(6)	(2)	5,822
Net loss			(276)				(276)
Minimum pension liability adjustment, net of income tax effect						(10)	(10)
Total comprehensive loss							(286)
Stock repurchases				(297)			(297)
Stock issued under stock plans		55		(3)	(10)		42
Stock issued upon exercise of warrants		267					267
Restricted stock plan amortization					5		5
Deferred compensation plan distributions				1			1
Income tax benefit related to stock plan activity		10					10
Balance at February 2, 2002	3	5,098	2,367	(1,881)	(11)	(12)	5,564
Net income			818				818
Minimum pension liability adjustment, net of income tax effect						(261)	(261)
Total comprehensive income							557
Stock repurchases				(391)			(391)
Stock issued under stock plans		4		19			23
Restricted stock plan amortization					4		4
Deferred compensation plan distributions				1			1
Income tax benefit related to stock plan activity		4					4
Balance at February 1, 2003	$ 3	$ 5,106	$ 3,185	$ (2,252)	$ (7)	$ (273)	$ 5,762

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

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FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
Cash flows from continuing operating activities:			
Net income (loss)	$ 818	$ (276)	$ (184)
Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities:			
(Income) loss from discontinued operations	(180)	784	1,005
Depreciation and amortization	676	657	617
Amortization of intangible assets	–	28	31
Amortization of financing costs	5	7	6
Amortization of unearned restricted stock	4	4	3
Asset impairment and restructuring charges	–	215	80
Loss on early extinguishment of debt	–	10	–
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	39	83	(105)
(Increase) decrease in merchandise inventories	17	305	(258)
Increase in other assets not separately identified	(87)	(52)	(25)
Decrease in accounts payable and accrued liabilities not separately identified	(1)	(236)	(23)
Increase (decrease) in current income taxes	14	(181)	19
Increase (decrease) in deferred income taxes	(119)	17	174
Increase (decrease) in other liabilities not separately identified	(18)	7	(8)
Net cash provided by continuing operating activities	1,168	1,372	1,332
Cash flows from continuing investing activities:			
Purchase of property and equipment	(568)	(615)	(720)
Capitalized software	(59)	(36)	(66)
Increase in notes receivable, net of payments	(30)	–	–
Acquisition of Liberty House, Inc., net of cash acquired	–	(175)	–
Investments in companies	–	–	(4)
Disposition of property and equipment	20	55	70
Net cash used by continuing investing activities	(637)	(771)	(720)
Cash flows from continuing financing activities:			
Debt issued	7	1,000	750
Financing costs	(1)	(16)	(6)
Debt repaid	(1,015)	(1,140)	(361)
Increase (decrease) in outstanding checks	(3)	37	(38)
Acquisition of treasury stock	(392)	(299)	(603)
Issuance of common stock	29	323	53
Net cash used by continuing financing activities	(1,375)	(95)	(205)
Net cash provided (used) by continuing operations	(844)	506	407
Net cash provided (used) by discontinued operations	924	(92)	(358)
Net increase in cash	80	414	49
Cash beginning of period	636	222	173
Cash end of period	$ 716	$ 636	$ 222
Supplemental cash flow information:			
Interest paid	$ 335	$ 351	$ 345
Interest received	14	7	6
Income taxes paid (net of refunds received)	123	221	351

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

FEDERATED DEPARTMENT STORES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Federated Department Stores, Inc. (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.

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. The Company from time to time invests in companies engaged in complementary businesses. Investments in companies in which the Company has the ability to exercise significant influence, but not control, are accounted for by the equity method. All other investments are carried at cost. All significant intercompany transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

Certain reclassifications were made to prior years' amounts to conform with the classifications of such amounts for the most recent year.

The Company operates in one segment as an operator of department stores.

Fingerhut Companies, Inc. ("Fingerhut"), a wholly-owned subsidiary, is being accounted for as a discontinued operation (see Note 2). Accordingly, for financial statement purposes, the assets, liabilities, results of operations and cash flows of this business have been segregated from those of continuing operations for all periods presented.

Cash includes cash and liquid investments with original maturities of three months or less.

The Company offers proprietary credit to its customers under revolving accounts and also offers non-proprietary revolving account credit cards. Such revolving accounts are accepted on customary revolving credit terms and offer the customer the option of paying the entire balance on a 25-day basis without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur finance charges which are competitive with other retailers and lenders, respectively. Minimum payments vary from 2.5% to 100.0% of the account balance, depending on the size of the balance. The Company also offers proprietary credit on deferred billing terms for periods not to exceed one year. Such accounts are convertible to revolving credit, if unpaid, at the end of the deferral period. Finance charge income is treated as a reduction of selling, general and administrative expenses.

The Company evaluates the collectibility of its proprietary and non-proprietary accounts receivable based on a combination of factors, including analysis of historical trends, aging of accounts receivable, write-off experience and expectations of future performance. Proprietary and non-proprietary accounts receivable are considered delinquent if more than one scheduled minimum payment is missed. Delinquent

proprietary accounts are generally written off automatically after the passage of 210 days without receiving a full scheduled monthly payment. Delinquent non-proprietary accounts are written off automatically after the passage of 180 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely. The Company reserves for doubtful proprietary accounts based on a loss-to-collections rate and doubtful non-proprietary accounts based on a roll-reserve rate.

Merchandise inventories are valued at lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. Inventory retail values are converted to a cost basis by applying specific average cost factors for each merchandise department. Cost factors represent the average cost-to-retail ratio for each merchandise department based on beginning inventory and the fiscal year purchase activity. The retail inventory method inherently requires management judgments and contains estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently mark down merchandise, the resulting gross profit reduction is recognized in the period the markdown is recorded.

Shrinkage is estimated as a percentage of sales for the period from the last inventory date to the end of the fiscal period. Such estimates are based on experience and the most recent physical inventory results. While it is not possible to quantify the impact from each cause of shrinkage, the Company has loss prevention programs and policies that minimize shrinkage experience. Physical inventories are taken within each merchandise department at least twice annually and inventory records are adjusted accordingly.

The Company receives cash or allowances from merchandise vendors as purchase price adjustments and in connection with cooperative advertising programs. Purchase price adjustments are credited to cost of sales and cooperative advertising allowances are credited against advertising expense in accordance with Emerging Issues Task Force (“EITF”) Issue No. 02-16, “Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor.”

Depreciation and amortization are provided primarily on a straight-line basis over the shorter of estimated asset lives or related lease terms. Estimated asset lives range from 15 to 50 years for buildings and building equipment and 3 to 15 years for fixtures and equipment. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets.

The Company receives contributions from developers and merchandise vendors to fund building improvements and the construction of vendor shops. Such contributions are netted against the capital expenditures.

The carrying value of long-lived assets are periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred. For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

For long-lived assets held for disposal by sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale. For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, depreciation estimates are revised accordingly. Prior to February 3, 2002, for long-lived assets held for disposal, whether by abandonment or sale, an impairment charge was recorded if the carrying amount of the assets exceeded its fair value less costs to sell. Such valuations included estimations of fair values, costs to dispose, and time periods over which to sell the assets.

In addition, liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

Goodwill and intangible assets having indefinite lives, which were previously amortized on a straight-line basis over the periods benefited, are no longer being amortized to earnings, but instead are subject to periodic testing for impairment. Goodwill and other intangible assets of a reporting unit are tested for impairment on an annual basis and more frequently if certain indicators are encountered. Intangible assets with determinable useful lives continue to be amortized over their estimated useful lives.

The Company capitalizes purchased and internally developed software and amortizes such costs to expense on a straight-line basis over 2-5 years. Capitalized software is included in other assets.

The Company is self-insured for workers compensation and public liability claims up to certain maximum liability amounts. Although the amounts accrued are actuarially determined based on analysis of historical trends of losses, settlements, litigation costs and other factors, the amounts the Company will ultimately disburse could differ from such accrued amounts.

The Company, through its actuaries, utilizes assumptions when estimating the liabilities for pension and other employee benefit plans. These assumptions, where applicable, include the discount rates used to determine the actuarial present value of projected benefit obligations, the rate of increase in future compensation levels, the long-term rate of return on assets and the growth in health care costs. The cost of these benefits is recognized in the financial statements over an employee's term of service with the

Company and the prepaid pension or accrued liabilities are reported in other assets or other liabilities, as appropriate.

Sales of merchandise are recorded at the time of delivery and reported net of merchandise returns. An estimated allowance for future sales returns is recorded and cost of sales is adjusted accordingly.

Advertising and promotional costs, net of cooperative advertising allowances, amounted to $713 million for the 52 weeks ended February 1, 2003, $750 million for the 52 weeks ended February 2, 2002 and $808 million for the 53 weeks ended February 3, 2001. Department store non-direct response advertising and promotional costs are expensed as incurred. Direct response advertising and promotional costs for Bloomingdale's By Mail are deferred and expensed over the period during which the sales are expected to occur, generally one to four months.

Shipping and handling fees and costs do not represent a significant portion of the Company's operations and both items have consistently been included in selling, general and administrative expenses. Shipping and handling fees amounted to $43 million, $43 million and $44 million for the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 and the 53 weeks ended February 1, 2001, respectively. Shipping and handling costs amounted to $39 million, $41 million and $42 million for the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 and the 53 weeks ended February 1, 2001, respectively.

Financing costs are amortized using the effective interest method over the life of the related debt.

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records derivative transactions according to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives as either assets or liabilities and measurement of those instruments at fair value. The Company makes limited use of derivative financial instruments. On the date that the Company enters into a derivative contract, the Company designates the derivative instrument as either a fair value hedge, cash flow hedge or as a free-standing derivative instrument, each of which would receive different accounting treatment. Prior to entering into a hedge transaction, the Company formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. Derivative instruments that the Company may use as part of its interest rate risk management strategy include interest rate swap and interest rate cap agreements (see Note 17).

The Company accounts for its stock-based employee compensation plan in accordance with Accounting Principles Board ("APB") Opinion No. 25 and related interpretations (see Note 15). No

stock-based employee compensation cost 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 if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for options granted subsequent to January 28, 1995.

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions, except per share data)	
Net income (loss), as reported	$ 818	$ (276)	$ (184)
Deduct total stock-based employee compensation cost determined in accordance with SFAS No. 123, net of related tax benefit	(42)	(47)	(42)
Pro forma net income (loss)	$ 776	$ (323)	$ (226)
Earnings (loss) per share:			
Basic – as reported	$ 4.15	$ (1.41)	$ (.90)
Basic – pro forma	$ 3.93	$ (1.65)	$ (1.11)
Diluted – as reported	$ 4.12	$ (1.38)	$ (.89)
Diluted – pro forma	$ 3.91	$ (1.62)	$ (1.09)

In 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," and clarifies the requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The adoption of this statement did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds or amends existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. SFAS No. 145 is effective for transactions occurring after May 15, 2002. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Also in 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" and APB Opinion No. 28, "Interim Financial Reporting" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation and amends the disclosure provisions therein. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2002, the FASB issued EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor." This issue addresses the reseller's accounting for cash consideration received from a vendor. The Company's current accounting policy related to certain consideration received from a vendor is consistent with the provisions of this issue and therefore, the Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. The provisions of the Statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not anticipate that the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. Discontinued Operations

On January 16, 2002, the Company's Board of Directors approved a plan to dispose of the operations of Fingerhut, including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, which were acquired by the Company on March 18, 1999.

During 2002, through various transactions, the Company completed the sale of the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, completed the sale of Fingerhut's core catalog accounts receivable portfolio, with the buyer assuming $450 million of receivables-backed debt, and completed the sale of various other Fingerhut assets, including two distribution centers, the corporate headquarters, a data center, existing inventory, the Fingerhut name, customer lists and other miscellaneous property and equipment. As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled. Proceeds from the foregoing sale transactions and collections on customer accounts receivable prior to the sale, net of operating expenses, exceeded the amount estimated to be received through wind-down of the portfolio and liquidation of the assets. This favorable variance, together with the favorable variance in actual operating losses described below, resulted in an adjustment to the loss on disposal of discontinued operations for 2002 totaling $307 million of income before income taxes, or $180 million of income after income taxes.

The Company originally estimated operating losses during the Fingerhut phase-out period of $292 million, net of tax effect. Actual operating losses for the 52 weeks ended February 1, 2003 were approximately $37 million, net of tax effect. This favorable variance resulted from the earlier than planned disposition of Fingerhut assets and is reflected in the $180 million adjustment to the loss on disposal of discontinued operations described above.

The disposal of the operations of Fingerhut, including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, generated $924 million of cash during the 52 weeks ended February 1, 2003, after the payment of approximately $529 million of related debt.

In connection with the sale of the Fingerhut core catalog accounts receivable portfolio, the Company entered into certain indemnification agreements with the purchaser. The indemnification agreements extend for a period of five years subsequent to the closing of this transaction. The maximum amount of potential future payments cannot be determined because the indemnification is an unlimited obligation. Based on the nature of these indemnifications, the Company considers the probability of future payments to be remote.

A loss on disposal of the Fingerhut operations was recorded in the fourth quarter of fiscal 2001. This loss included significant estimated losses associated with the wind-down of the operations of Fingerhut, the wind-down of the Fingerhut core catalog accounts receivable portfolio, the sale of inventory and property and equipment, the sale of subsidiary catalog businesses and severance and retention costs

Estimated losses associated with the wind-down of the Fingerhut core catalog accounts receivable portfolio were based upon various assumptions and estimates, including an assumed four-year wind-down period and estimated customer payment rates, write-off rates, finance charge income, late fee income, and operating expenses, such as collection costs. These assumptions and estimates were based on a third party offer to purchase the portfolio, historical experience and industry data where available.

Estimated losses associated with the Fingerhut core catalog operations were based upon various assumptions and estimates, including with respect to revenues and expenses during the wind-down period. Those assumptions and estimates were based on historical experience and derived from detailed departmental plans regarding the costs necessary to complete the liquidation in the planned timeframe.

Losses on inventory were recognized based on estimated recovery values expected to be received from a third party liquidator. Write-downs of property, plant and equipment were based on historical recovery rates for similar liquidations of personal property and brokerage quotes, where available, for real estate properties. Other assets, such as tradenames, customer lists, supplies, prepaid expenses, and capitalized software, were written-down to estimated net realizable value, which in some cases was zero due to their lack of marketability.

The loss on sale of the Fingerhut subsidiaries was estimated using market value quotes from an investment bank, projected net book values of each subsidiary at the expected sale dates, and expenses necessary to disconnect the subsidiaries' support functions from Fingerhut's core catalog operations.

Severance and retention were estimated based on the then current workforce, employment needs through the wind-down period, employment agreements where applicable, years of service, and estimated payout based on the general severance and retention plan offered to employees. Remaining lease obligations or contractual cancellation penalties were estimated based on a review of the contract terms in place.

The after-tax loss from discontinued operations for the 52 weeks ended February 2, 2002 was $14 million, or $.07 per diluted share.

Estimated interest expense has been allocated to discontinued operations based upon the debt balances attributable to those operations. Interest expense allocated to discontinued operations was $82 million for the 52 weeks ended February 2, 2002 and $116 million for the 53 weeks ended February 3,

2001. Additionally, interest expense of $77 million was included in the estimated operating losses from the measurement date to the disposal date, which was included in the loss on disposal of discontinued operations.

The net assets of Fingerhut included within discontinued operations were as follows:

	February 2, 2002
	(millions)
Current assets	$ 1,715
Other assets	97
Current liabilities	(539)
Total debt	(529)
	$ 744

The Company acquired Fingerhut on March 18, 1999. Discontinued operations include Fingerhut sales which totaled $1,244 million for the 52 weeks ended February 2, 2002 and $1,769 million for the 53 weeks ended February 3, 2001. The loss from discontinued operations was $22 million, net of an income tax benefit of $8 million for the 52 weeks ended February 2, 2002 and $1,257 million, net of an income tax benefit of $252 million for the 53 weeks ended February 3, 2001.

During the 53 weeks ended February 3, 2001, the Company recorded asset impairment and restructuring charges related to its Fingerhut business totaling $882 million. In response to a significant credit delinquency problem associated with Fingerhut's core catalog operations, the Company reevaluated the long-term operating projections of, and performed an asset impairment analysis for, each Fingerhut business. This analysis included projected future undiscounted and discounted cash flows disaggregated for each Fingerhut business unit under a variety of operating assumptions, under a two-step impairment test.

First, using undiscounted projected future cash flows for each Fingerhut business, management determined that an impairment existed for only one of the businesses, and a write-down of certain fixed assets and goodwill was recorded in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Secondly, using discounted projected cash flows at a discount rate commensurate with the Company's cost of capital, management determined that an impairment existed at several other Fingerhut businesses, including the core catalog business, and a write-down of goodwill and credit file intangibles was recorded in accordance with APB Opinion No. 17, "Intangible Assets."

As a result of the above, the Company recorded asset write-downs of $673 million for goodwill and credit file intangibles and $18 million for Fingerhut fixed assets during the 53 weeks ended February 3, 2001. During this same period, the Company recorded a write-down of $105 million of certain strategic equity investments made and held by Fingerhut as a result of the Company's determination, based on uncertain financing alternatives and comparisons to their market values or market values of similar publicly traded businesses, that these equity investments were impaired on an other than temporary basis. These investments were in companies that, through commercial relationships entered into in connection with the investments, expanded Fingerhut's Internet offerings and direct marketing strategic initiatives (e.g.,

through website affiliations) and were integrally related – in terms of their genesis, purpose, nature, implementation and oversight – to the operations of Fingerhut.

The Company also recorded $86 million of restructuring costs during the 53 weeks ended February 3, 2001 related to the downsizing of the Fingerhut core catalog operations, including $35 million of inventory valuation adjustments. The remaining $51 million of restructuring costs consisted of write-downs of property and other assets associated with the closing of collection and call centers and other duplicate facilities totaling $26 million, an adjustment to the carrying value of certain accounts receivable associated with a discontinued business amounting to $9 million and related severance costs totaling $16 million. The severance costs covered approximately 2,100 employees.

3. Acquisition

On July 9, 2001, the Company completed its acquisition of Liberty House, Inc. ("Liberty House"), a department store retailer operating 11 department stores and seven resort and specialty stores in Hawaii and one department store in Guam. The total purchase price of the Liberty House acquisition was approximately $200 million, consisting of approximately $183 million of cash and the assumption of approximately $17 million of indebtedness. The acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations of Liberty House have been included in the Company's results of operations from the date of acquisition and the purchase price has been allocated to Liberty House's assets and liabilities based on their estimated fair values as of that date. The amount of goodwill and other identifiable intangibles related to the Liberty House acquisition amounted to $84 million. Such goodwill has not been amortized, in accordance with the provisions of SFAS No. 142.

4. Asset Impairment and Restructuring Charges

During the 52 weeks ended February 2, 2002, the Company incurred asset impairment and restructuring charges related to its department store business. These costs related primarily to the closing of its Stern's department store division and subsequent integration into its Macy's and Bloomingdale's operations, the acquisition of Liberty House and subsequent integration into Macy's and the reorganization of its department-store-related catalog and e-commerce operations.

The Company recorded $53 million of inventory valuation adjustments, primarily related to discontinued merchandise lines, as a part of cost of sales during 2001. The inventory valuation adjustments included $33 million related to the Stern's conversion, $17 million related to the Liberty House integration and $3 million related to the catalog and e-commerce reorganization. These inventory valuation adjustments consist of markdowns on merchandise that was sold at Stern's, Liberty House or through the Company's catalog and e-commerce channels and that would not continue to be sold following the conversion of the Stern's and Liberty House stores and the reorganization of the catalog and e-commerce business.

Asset impairment charges consist of:

	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
	(millions)	
Catalog and e-commerce reorganization	$ 40	$ –
Stern's store closures	8	43
Equity investments	4	26
Stern's accounts receivable	–	5
	$ 52	$ 74

During the 52 weeks ended February 2, 2002, asset impairment charges included fixed asset and capitalized software write-downs related to the catalog and e-commerce reorganization and losses on Stern's stores which the Company expected to close and sell. Also during the 52 weeks ended February 2, 2002, the Company recorded a write-down of an investment as a result of the Company's determination, based on uncertain financing alternatives and a comparison to market values of similar publicly traded businesses, that this equity investment was impaired on an other than temporary basis.

During the 53 weeks ended February 3, 2001, asset impairment charges included losses on Stern's stores which the Company expected to close and sell and an adjustment to the carrying value of certain accounts receivable that would be uncollectable because of the Stern's closure. During this same period, the Company recorded a write-down of investments as a result of the Company's determination, based on uncertain financing alternatives and comparisons to their market value or market values of similar publicly traded businesses, that these equity investments were impaired on an other than temporary basis.

Restructuring charges consist of:

	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
	(millions)	
Stern's store conversions	$ 38	$ –
Stern's severance	18	–
Stern's lease obligations	14	6
Stern's store closures	13	–
Stern's duplicate central costs	9	–
Liberty House store conversions	10	–
Liberty House duplicate central costs	4	–
Catalog and e-commerce reorganization	4	–
	$ 110	$ 6

During the 52 weeks ended February 2, 2002, restructuring charges included costs associated with converting the Stern's stores into Macy's (including store remodeling costs, advertising, credit card issuance and promotion and other name change expenses), severance costs related to the Stern's closure, costs to close and sell certain Stern's stores (including lease obligations and other store closing expenses), Stern's duplicate central office costs, costs associated with converting the Liberty House stores into Macy's

(including advertising, credit card issuance and promotion and other name change expenses), Liberty House duplicate central office costs and other exit costs associated with the catalog and e-commerce reorganization.

During the 53 weeks ended February 3, 2001, restructuring charges included costs to close and sell certain Stern's stores, primarily related to lease obligations.

In general, the Company recorded restructuring charges as expenses when they were incurred. The only costs that were accrued at the time management committed to the store closure, store conversion or reorganization plans were severance costs and lease obligations related to the Stern's closure, pursuant to EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."

The following table shows the activity associated with the Stern's restructuring accruals:

	February 2, 2002	Restructuring Charges	Payments	February 1, 2003
		(millions)		
Long-term lease obligations	$ 18	$ –	$ (4)	$ 14
Severance	$ 2	$ –	$ (2)	$ –

The $14 million reserve that the Company still expects to pay out relates to liabilities associated with the disposition of Stern's properties.

	February 3, 2001	Restructuring Charges	Payments	February 2, 2002
		(millions)		
Long-term lease obligations	$ 6	$ 14	$ (2)	$ 18
Severance	$ –	$ 18	$ (16)	$ 2

The $18 million reserve that the Company expected to pay out related to liabilities associated with the disposition of Stern's properties. The 2001 restructuring charge for severance covered approximately 2,500 people and the remaining accrual at February 2, 2002 related to approximately 50 people.

5. Extraordinary Item

The extraordinary item for the 52 weeks ended February 2, 2002 represents costs of $16 million, net of income tax benefit of $6 million, associated with the repurchase of the $350 million 6.125% Term Enhanced ReMarketable Securities.

6. Accounts Receivable

	February 1, 2003	February 2, 2002
	(millions)	
Due from proprietary credit card holders	$ 2,232	$ 2,305
Less allowance for doubtful accounts	85	79
	2,147	2,226
Due from non-proprietary credit card holders	667	–
Less allowance for doubtful accounts	20	–
	647	–
Other receivables	151	153
	$ 2,945	$ 2,379

Sales through the Company's proprietary credit plans were $4,128 million for the 52 weeks ended February 1, 2003, $4,154 million for the 52 weeks ended February 2, 2002 and $4,384 million for the 53 weeks ended February 3, 2001. The credit plans relating to certain operations of the Company are owned by a third party. Finance charge income related to proprietary credit card holders amounted to $353 million for the 52 weeks ended February 1, 2003, $361 million for the 52 weeks ended February 2, 2002 and $349 million and for the 53 weeks ended February 3, 2001. Subsequent to July 5, 2002, finance charge income related to non-proprietary credit card holders amounted to $33 million. Prior to July 5, 2002 under the financing arrangement related to the Company's non-proprietary credit card receivables, all transfers of the Company's non-proprietary credit card receivables to a trust qualified for sale treatment and therefore were accounted for as off-balance sheet financing transactions (see Note 10).

Changes in the allowance for doubtful accounts related to proprietary credit card holders are as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Balance, beginning of year	$ 79	$ 71	$ 63
Charged to costs and expenses	143	128	106
Net uncollectible balances written off	(137)	(120)	(98)
Balance, end of year	$ 85	$ 79	$ 71

Changes in the allowance for doubtful accounts related to non-proprietary credit card holders are as follows:

	52 Weeks Ended February 1, 2003
	(millions)
Balance, at consolidation	$ 20
Charged to costs and expenses	17
Net uncollectible balances written-off	(17)
Balance, end of year	$ 20

7. Inventories

Merchandise inventories were $3,359 million at February 1, 2003, compared to $3,376 million at February 2, 2002. At these dates, the cost of inventories using the LIFO method approximated the cost of such inventories using the FIFO method. The application of the LIFO method did not impact cost of sales for the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 or the 53 weeks ended February 3, 2001.

8. Properties and Leases

	February 1, 2003	February 2 2002
	(millions)	
Land	$ 956	$ 972
Buildings on owned land	2,366	2,387
Buildings on leased land and leasehold improvements	1,694	1,674
Fixtures and equipment	4,419	4,257
Leased properties under capitalized leases	84	81
	9,519	9,371
Less accumulated depreciation and amortization	3,140	2,865
	$ 6,379	$ 6,506

In connection with various shopping center agreements, the Company is obligated to operate certain stores within the centers for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name.

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance and other executory costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's real estate leases have terms that extend for significant numbers of years and provide for rental rates that increase over time. In addition, certain of these leases contain covenants that restrict the ability of the tenant (typically a subsidiary of the Company) to take specified actions (including the payment of dividends or other amounts on account of its capital stock) unless the tenant satisfies certain financial tests.

Minimum rental commitments (excluding executory costs) at February 1, 2003, for noncancellable leases are:

	Capitalized Leases	Operating Leases	Total
		(millions)	
Fiscal year:			
2003	$ 11	$ 162	$ 173
2004	11	159	170
2005	9	149	158
2006	8	151	159
2007	8	145	153
After 2007	69	1,943	2,012
Total minimum lease payments	116	$ 2,709	$2,825
Less amount representing interest	56		
Present value of net minimum capitalized lease payments	$ 60		

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in short-term ($6 million) and long-term ($54 million) debt. Amortization of assets subject to capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately $40 million on operating leases.

Rental expense consists of:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Real estate (excluding executory costs)			
Capitalized leases –			
Contingent rentals	$ 2	$ 2	$ 3
Operating leases –			
Minimum rentals	168	160	159
Contingent rentals	20	22	21
	190	184	183
Less income from subleases -			
Capitalized leases	1	2	3
Operating leases	20	20	22
	21	22	25
	$ 169	$ 162	$ 158
Personal property — Operating leases	$ 17	$ 22	$ 23

9. Goodwill and Other Intangible Assets

Effective February 3, 2002, the Company adopted SFAS No. 142,"Goodwill and Other Intangible Assets." Upon adoption, the Company ceased amortizing goodwill and indefinite lived intangible assets and determined that an impairment loss was not present. Impairment will be examined on an annual basis and more frequently if certain indicators are encountered. Intangible assets with determinable useful lives will continue to be amortized over their estimated useful lives.

The Company recorded $43 million of tax benefits as a reduction to goodwill during the 52 weeks ended February 1, 2003 (see Note 12).

The following summarizes the Company's goodwill and other intangible assets and amortization expense:

	February 1, 2003	February 2, 2002
	(millions)	
Amortizing intangible assets		
Customer lists	$ 2	$ 2
Less accumulated amortization	–	–
	$ 2	$ 2
Non-amortizing intangible assets		
Goodwill	$ 262	$ 305
Tradenames	376	376
	$ 638	$ 681

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Amortization expense			
Continuing operations	$ –	$ 28	$ 31
Discontinued operations	–	22	43
	$ –	$ 50	$ 74

The customer lists are being amortized over their estimated useful life of 7 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – Continued

The following is an illustration of the impact on income from continuing operations and net income, including discontinued operations, as if SFAS No. 142 was effective beginning January 30, 2000:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions, except per share data)	
Income from continuing operations			
Reported income from continuing operations	$ 638	$ 518	$ 821
Intangible asset and goodwill amortization	–	24	27
Adjusted income from continuing operations	$ 638	$ 542	$ 848
Basic earnings per share:			
Reported income from continuing operations	$ 3.23	$ 2.65	$ 4.01
Intangible asset and goodwill amortization	–	.12	.13
Adjusted income from continuing operations	$ 3.23	$ 2.77	$ 4.14
Diluted earnings per share:			
Reported income from continuing operations	$ 3.21	$ 2.59	$ 3.97
Intangible asset and goodwill amortization	–	.12	.13
Adjusted income from continuing operations	$ 3.21	$ 2.71	$ 4.10
Net income (loss)			
Reported net income (loss)	$ 818	$ (276)	$ (184)
Intangible asset and goodwill amortization	–	37	58
Adjusted net income (loss)	$ 818	$ (239)	$ (126)
Basic earnings (loss) per share:			
Reported net income (loss)	$ 4.15	$ (1.41)	$ (.90)
Intangible asset and goodwill amortization	–	.19	.28
Adjusted net income (loss)	$ 4.15	$ (1.22)	$ (.62)
Diluted earnings (loss) per share:			
Reported net income (loss)	$ 4.12	$ (1.38)	$ (.89)
Intangible asset and goodwill amortization	–	.19	.28
Adjusted net income (loss)	$ 4.12	$ (1.19)	$ (.61)

10. Financing

The Company's debt was as follows:

	February 1, 2003	February 2, 2002
	(millions)	
Short-term debt:		
Receivables backed financings	$ 486	$ 598
8.5% Senior Notes due 2003	450	–
8.125% Senior Notes due 2002	–	400
Capital lease and other short-term obligations	10	14
	$ 946	$ 1,012
Long-term debt:		
Receivables backed financings	$ 400	$ 400
6.625% Senior notes due 2008	500	500
6.625% Senior notes due 2011	500	500
6.9% Senior debentures due 2029	400	400
6.3% Senior notes due 2009	350	350
8.5% Senior notes due 2010	350	350
7.45% Senior debentures due 2017	300	300
7.0% Senior debentures due 2028	300	300
6.79% Senior debentures due 2027	250	250
8.5% Senior notes due 2003	–	450
Capital lease and other long-term obligations	58	59
	$ 3,408	$ 3,859

Interest expense was as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Interest on debt	$ 301	$ 321	$ 318
Amortization of financing costs	5	7	6
Interest on capitalized leases	6	6	7
	312	334	331
Less interest capitalized on construction	1	3	4
	$ 311	$ 331	$ 327

Future maturities of long-term debt, other than capitalized leases, are shown below:

	(millions)
Fiscal year:	
2004	$ 251
2005	402
2006	1
2007	–
2008	500
After 2008	2,200

The information set forth in the preceding table assumes that holders of the 6.79% senior debentures due 2027 will elect to have such debentures repaid in full in 2004.

During the 52 weeks ended February 1, 2003, the Company repaid $1,015 million of borrowings, consisting principally of $598 million of receivables backed financings and $400 million of 8.125% Senior Notes.

During July 2002, in connection with the extension of the financing arrangement related to the Company's non-proprietary credit card receivables, the Company's special purpose subsidiary took certain actions which resulted in the consolidation of the Prime Credit Card Master Trust II ("Trust II") for financial reporting purposes. In particular, the documentation governing the arrangement was amended to provide the Company's special purpose subsidiary the ability to unilaterally remove transferred assets from Trust II. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this amendment disqualified the arrangement for sale treatment and requires secured borrowing treatment for all sales of the Company's non-proprietary credit card receivables pursuant to this arrangement. The principal assets and liabilities of Trust II consist of non-proprietary credit card receivables transferred by the Company to Trust II in transactions previously accounted for as sales under SFAS No. 140 and the related debt issued by Trust II. As a result of the Company's actions, the transfer of receivables and debt are being treated as secured borrowings as of and subsequent to July 5, 2002. All assets and liabilities of Trust II were consolidated at fair value. These actions increased the Company's consolidated assets and debt by $479 million at July 5, 2002.

The Company's bank credit agreements require the Company to maintain certain financial ratios. At February 1, 2003, the Company was in compliance with these requirements by significant margins. Management believes that the likelihood of the Company defaulting on a debt covenant is remote absent any material negative event affecting the U.S. economy as a whole. However, if the Company's results of operations or operating ratios deteriorate to a point where the Company is not in compliance with any of its debt covenants and the Company is unable to obtain a waiver, much of the Company's debt would be in default and could become due and payable immediately.

The following summarizes certain components of the Company's debt:

Receivables Backed Financings

The Company finances its proprietary credit card receivables, which arise solely from sales originated in the conduct of the Company's retail operations, using on-balance sheet financing arrangements, including term receivables-backed certificates issued by a subsidiary of the Company together with receivables-backed commercial paper issued by another subsidiary of the Company. At February 1, 2003, these arrangements included a $375 million asset-backed commercial paper program. Under the $375 million commercial paper program, a special purpose subsidiary of the Company issues commercial paper backed by a Class A Variable Funding Certificate issued out of the Prime Credit Card Master Trust (the "Trust") which holds the proprietary receivables. If the subsidiary is unable to issue commercial paper to fund maturities of outstanding commercial paper, it has a liquidity facility with a number of banks which will fund loans in order to repay the commercial paper. The commercial paper investors have no recourse back to the Company. As of February 1, 2003, and February 2, 2002, there was no such commercial paper or loan outstanding.

At February 1, 2003, these arrangements also included $400 million of receivables backed certificates representing undivided interests in the Trust. Investors in this debt have no recourse back to the Company. This debt is classified as long-term debt, bears interest at 6.7% and matures in November 2005.

The Company finances its non-proprietary credit card receivables, which arise from transactions originated by merchants that accept third-party credit cards issued by the Company's FDS Bank subsidiary, using on-balance sheet financing arrangements. Under these arrangements, a special purpose subsidiary of the Company sells Class A and Class B Variable Funding Certificates issued out of Trust II which holds the non-proprietary receivables to three unrelated bank commercial paper conduit programs. The commercial paper conduit programs have agreed to purchase certificates of up to $700 million in the aggregate. Receivables-backed financings classified as short-term debt at February 1, 2003, consist of $486 million of debt under these arrangements with an average interest rate of 1.4%.

The entire proprietary and non-proprietary accounts receivable portfolios are used to secure the applicable receivables-backed financing programs.

Prior to July 2002, the financing of the Company's non-proprietary credit card receivables was through an off-balance sheet sale arrangement. Under this arrangement, FDS Bank, a subsidiary of the Company, sold its non-proprietary credit card receivables to another wholly-owned special purpose subsidiary of the Company which in turn transferred the purchased receivables to Trust II, a bankruptcy-remote, qualified special purpose entity. A special purpose subsidiary of the Company had sold certain interests in Trust II to unrelated bank commercial paper conduit programs. Proceeds from these sales plus excess cash flow from Trust II were used to buy the receivables from FDS Bank. The two commercial paper conduit programs had agreed to buy interests of up to $600 million in the aggregate. These interests were variable and fluctuated with the level of receivables. Trust II had issued three classes of certificates: Class A, Class B and Class C certificates. The bank conduit programs held the Class A and Class B certificates and the Company's special purpose subsidiary retained the Class C certificates, which were subordinated interests that served as a credit enhancement to the Class A and Class B certificates

and exposed the Company's retained trust assets to possible credit losses. The Company's special purpose subsidiary also held a required 2% seller's interest and the residual interest in the trust. The investors and the trust had no recourse against the Company beyond the trust assets. In order to maintain the committed level of securitized assets, the Company's special purpose subsidiary reinvested cash collections on securitized accounts in additional balances. During the period that the non-proprietary credit card receivables were financed off-balance sheet in the 52 weeks ended February 1, 2003, proceeds from collections which were reinvested amounted to $1,336 million. During the 52 weeks ended February 2, 2002, proceeds from collections which were reinvested amounted to $3,057 million.

Prior to July 2002, the issuance of the certificates to outside investors was considered to be a sale, which resulted in an immaterial gain to the Company. The Company also retained servicing responsibilities for which it received annual servicing fees, approximating 2% of the outstanding balances. During the period that the non-proprietary credit card receivables were financed off-balance sheet in the 52 weeks ended February 1, 2003, $5 million of servicing fees were received. During the 52 weeks ended February 2, 2002, $12 million of servicing fees were received.

The Company's special purpose subsidiary intended to hold its Class C certificates and contractually required seller's interest to maturity. The residual interest was considered available-for-sale. Due to the revolving nature of the underlying credit card receivables, the high principal payment rate and the reserve for anticipated credit losses, the carrying value of the retained interest in transferred credit card receivables approximated fair value and was included in other assets. Key economic assumptions used in measuring the retained interests at the date of securitization resulting from securitizations completed during the 52 weeks ended February 1, 2003 and February 2, 2002 include the estimated payment rate, anticipated credit losses and the discount rate applied to the residual cash flows. During the period that the non-proprietary credit card receivables were financed off-balance sheet in the 52 weeks ended February 1, 2003, the weighted average estimated payment rate was 44.2%, the anticipated credit losses averaged 5.3% and the discount rate used on the residual cash flows was 10.2%. For the 52 weeks ended February 2, 2002, the weighted average estimated payment rate was 42.1%, the anticipated credit losses averaged 5.2% and the discount rate used on the residual cash flows was 10.5%.

As of February 2, 2002, the securitized non-proprietary credit card balances were $630 million, the related retained interest included in other assets was $111 million and purchased interests of $500 million were held by third parties under this off-balance sheet arrangement.

Bank Credit Agreements

The Company and certain financial institutions are parties to (i) the Five-Year Credit Agreement, pursuant to which such financial institutions have provided the Company with a $1,200 million revolving loan facility which expires June 29, 2006 (the "Five-Year Facility") and (ii) the 364-Day Credit Agreement, pursuant to which such financial institutions have provided the Company with a $400 million revolving loan facility which expires June 27, 2003, and must be extended annually (the "364-Day Facility" and, together with the Five-Year Facility, the "Revolving Loan Facilities"). The Company's obligations under the Revolving Loan Facilities are not secured or guaranteed.

As of February 1, 2003 and February 2, 2002, there were no revolving credit loans outstanding under the Revolving Loan Facilities. However, there were $31 million and $46 million of standby letters of credit outstanding under the Revolving Loan Facilities at February 1, 2003 and February 2, 2002, respectively. Revolving loans under the Revolving Loan Facilities bear interest based on various published rates.

Commercial Paper

The Company established a $1,600 million program for the issuance from time to time of unsecured commercial paper. The issuance of commercial paper under the program will have the effect, while such commercial paper is outstanding, of reducing the Company's borrowing capacity under the Revolving Loan Facilities by an amount equal to the principal amount of such commercial paper. As of February 1, 2003 and February 2, 2002, there was no such commercial paper outstanding.

Senior Notes and Debentures

The senior notes and the senior debentures are unsecured obligations of the Company. The holders of the 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.

Other Financing Arrangements

There were also $22 million of trade letters of credit outstanding at February 1, 2003 and February 2, 2002.

11. Accounts Payable and Accrued Liabilities

	February 1, 2003	February 2, 2002
	(millions)	
Merchandise and expense accounts payable	$ 1,568	$ 1,677
Liabilities to customers	394	378
Taxes other than income taxes	110	103
Accrued wages and vacation	92	93
Accrued interest	66	80
Other	354	314
	$ 2,584	$ 2,645

Liabilities to customers include an estimated allowance for future sales returns of $42 million and $43 million at February 1, 2003 and February 2, 2002, respectively. Adjustments to the allowance for future sales returns, which amounted to a credit of $1 million for the 52 weeks ended February 1, 2003, a charge of $1 million for the 52 weeks ended February 2, 2002 and a credit of $1 million for the 53 weeks ended February 3, 2001, are reflected in cost of sales. Included in other liabilities at February 1, 2003 is $6 million of severance, related to the Rich's-Macy's consolidation, to be paid in conjunction with an ongoing benefit arrangement.

12. Taxes

Income tax expense is as follows:

	52 Weeks Ended February 1, 2003			52 Weeks Ended February 2, 2002			53 Weeks Ended February 3, 2001		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
					(millions)				
Federal	$ 386	$ (50)	$336	$ 263	$ (51)	$212	$ 474	$ (23)	$451
State and local	86	(12)	74	60	(10)	50	98	–	98
	$ 472	$ (62)	$410	$ 323	$ (61)	$262	$ 572	$ (23)	$549

The income tax expense reported differs from the expected tax computed by applying the federal income tax statutory rate of 35% for the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 and the 53 weeks ended February 3, 2001 to income from continuing operations before income taxes and extraordinary item. The reasons for this difference and their tax effects are as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Expected tax	$ 367	$ 273	$ 480
State and local income taxes, net of federal income tax benefit	48	37	63
Permanent difference arising from the amortization of intangible assets	–	6	7
Disposition of a subsidiary	–	(44)	–
Other	(5)	(10)	(1)
	$ 410	$ 262	$ 549

In connection with the Stern's restructuring, income tax expense for 2001 reflects a $44 million benefit related to the recognition of the effect of the difference between the financial reporting and tax bases of the Company's investment in Stern's Department Stores, Inc. upon disposition.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	February 1, 2003	February 2, 2002
	(millions)	
Deferred tax assets:		
Operating loss carryforwards	$ 142	$ 60
Post employment and postretirement benefits	243	195
Accrued liabilities accounted for on a cash basis for tax purposes	192	181
Allowance for doubtful accounts	64	58
Capitalized lease debt	24	21
Other	105	111
Total gross deferred tax assets	770	626
Deferred tax liabilities:		
Excess of book basis over tax basis of property and equipment	(1,310)	(1,304)
Merchandise inventories	(197)	(151)
Deductible intangibles	(125)	(124)
Prepaid pension expense	–	(93)
Other	(126)	(278)
Total gross deferred tax liabilities	(1,758)	(1,950)
Net deferred tax liability	$ (988)	$ (1,324)

During the 52 weeks ended February 1, 2003, the Company recorded an additional $43 million of tax benefits related to an acquired enterprise's net operating loss carryforwards ("NOLs") and reduced goodwill accordingly. As of February 1, 2003, the Company had NOLs of approximately $407 million which are available through 2009.

13. Retirement Plans

The Company has a defined benefit plan ("Pension Plan") and a defined contribution plan ("Savings Plan") which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has a defined benefit supplementary retirement plan which includes benefits, for certain employees, in excess of qualified plan limitations. For the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 and the 53 weeks ended February 1, 2001 net retirement expense for these plans totaled $32 million, $22 million and $27 million, respectively.

Measurement of plan assets and obligations for the Pension Plan and the defined benefit supplementary retirement plan are calculated as of December 31 of each year. The discount rates used to determine the actuarial present value of projected benefit obligations under such plans were 6.75% as of December 31, 2002 and 7.25% as of December 31, 2001. The assumed weighted average rate of increase in future compensation levels was 5.8% as of December 31, 2002 and December 31, 2001 for the Pension Plan and 7.7% as of December 31, 2002 and December 31, 2001 for the defined benefit supplementary

retirement plan. The long-term rate of return on assets (Pension Plan only) was 9.00% as of December 31, 2002 and 9.75% as of December 31, 2001.

Pension Plan

The following provides a reconciliation of benefit obligations, plan assets and funded status of the Pension Plan as of December 31, 2002 and 2001:

	2002	2001
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$1,397	$1,368
Service cost	37	35
Interest cost	98	97
Plan amendments	–	1
Actuarial loss	67	10
Benefits paid	(116)	(114)
Projected benefit obligation, end of year	$1,483	$1,397
Changes in plan assets (primarily stocks, bonds and U.S. government securities)		
Fair value of plan assets, beginning of year	$1,480	$1,670
Actual return on plan assets	(138)	(76)
Company contributions	50	–
Benefits paid	(116)	(114)
Fair value of plan assets, end of year	$1,276	$1,480
Funded status	$ (207)	$ 83
Unrecognized net loss	513	149
Unrecognized prior service cost	2	2
Net amount recognized	$ 308	$ 234
Amounts recognized in the statement of financial position		
Prepaid benefit cost	$ –	$ 234
Accrued benefit cost	(106)	–
Intangible asset	2	–
Accumulated other comprehensive loss	412	–
Net amount recognized	$ 308	$ 234

The accumulated benefit obligation for the Pension Plan was $1,382 million as of December 31, 2002.

Net pension income for the Company's Pension Plan included the following actuarially determined components:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Service cost	$ 37	$ 35	$ 34
Interest cost	98	97	98
Expected return on assets	(159)	(156)	(151)
	$ (24)	$ (24)	$ (19)

As permitted under SFAS No. 87, "Employers' Accounting for Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Pension Plan.

The Company's policy is to fund the Pension Plan at or above the minimum required by law. For the 2002 plan year, no funding contribution was required; however, a $50 million voluntary funding contribution was made. For the 2001 plan year, no funding contribution was required or made. Plan assets are held by independent trustees.

Supplementary Retirement Plan

The following provides a reconciliation of benefit obligations, plan assets and funded status of the supplementary retirement plan as of December 31, 2002 and 2001:

	2002	2001
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 180	$ 137
Service cost	6	5
Interest cost	13	12
Plan amendments	–	(1)
Actuarial loss	33	36
Benefits paid	(16)	(9)
Projected benefit obligation, end of year	$ 216	$ 180
Change in plan assets		
Fair value of plan assets, beginning of year	$ –	$ –
Company contributions	16	9
Benefits paid	(16)	(9)
Fair value of plan assets, end of year	$ –	$ –
Funded status	$(216)	$(180)
Unrecognized net loss	90	65
Unrecognized prior service cost	1	2
Accrued benefit cost	$(125)	$(113)
Amounts recognized in the statement of financial position		
Accrued benefit cost	$(169)	$(135)
Intangible asset	1	2
Accumulated other comprehensive loss	43	20
Net amount recognized	$(125)	$(113)

The accumulated benefit obligation for the supplementary retirement plan was $169 million and $135 million as of December 31, 2002 and December 31, 2001, respectively.

Net pension costs for the supplementary retirement plan included the following actuarially determined components:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Service cost	$ 6	$ 5	$ 4
Interest cost	13	12	9
Amortization of prior service cost	1	2	2
Recognition of net actuarial loss	8	6	2
	$ 28	$ 25	$ 17

As permitted under SFAS No. 87, "Employers' Accounting for Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

Savings Plan

The Savings Plan includes a voluntary savings feature for eligible employees. The Company's contribution is based on the Company's annual earnings and the minimum contribution is 33 1/3% of an employee's eligible savings. Expense for the Savings Plan amounted to $28 million for the 52 weeks ended February 1, 2003, $21 million for the 52 weeks ended February 2, 2002 and $29 million for the 53 weeks ended February 3, 2001.

Deferred Compensation Plan

The Company has a deferred compensation plan wherein eligible executives may elect to defer a portion of their compensation each year as either stock credits or cash credits. The Company transfers shares to a trust to cover the number management estimates will be needed for distribution on account of stock credits currently outstanding. At February 1, 2003 and February 2, 2002, the liability under the plan, which is reflected in other liabilities, was $37 million and $34 million, respectively. Expense for the 52 weeks ended February 1, 2003, the 52 weeks ended February 2, 2002 and the 53 weeks ended February 3, 2001 was immaterial.

14. Postretirement Health Care and Life Insurance Benefits

In addition to pension and other supplemental benefits, certain retired employees currently are provided with specified health care and life insurance benefits. Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to eligible employees who retire after a certain age with specified years of service. Certain employees are subject to having such benefits modified or terminated.

The following provides a reconciliation of benefit obligations, plan assets and funded status of the postretirement obligations as of December 31, 2002 and 2001:

	2002	2001
	(millions)	
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation, beginning of year	$ 280	$ 271
Service cost	1	1
Interest cost	19	19
Actuarial loss	6	18
Benefits paid	(30)	(29)
Accumulated postretirement benefit obligation, end of year	$ 276	$ 280
Change in plan assets		
Fair value of plan assets, beginning of year	$ –	$ –
Company contributions	30	29
Benefits paid	(30)	(29)
Fair value of plan assets, end of year	$ –	$ –
Funded status	$(276)	$(280)
Unrecognized net gain	(17)	(29)
Unrecognized prior service cost	(21)	(28)
Accrued benefit cost	$(314)	$(337)

Net postretirement benefit expense included the following actuarially determined components:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(millions)	
Service cost	$ 1	$ 1	$ 1
Interest cost	19	19	20
Amortization of prior service cost	(7)	(7)	(7)
Recognition of net actuarial gain	(6)	(9)	(9)
	$ 7	$ 4	$ 5

The discount rate used in determining the actuarial present value of unfunded postretirement benefit obligations was 6.75% as of December 31, 2002 and 7.25% as of December 31, 2001.

The future medical benefits provided by the Company for certain employees are based on a fixed amount per year of service, and the accumulated postretirement benefit obligation is not affected by increases in health care costs. However, the future medical benefits provided by the Company for certain other employees are affected by increases in health care costs. For purposes of determining the present values of unfunded postretirement benefit obligations, the annual growth rate in the per capita cost of various components of such medical benefit obligations was assumed to range from 7.0% to 11.0% in the first year, and to decrease gradually for each such component to 6.0% by 2005 and to remain at that level thereafter. The foregoing growth-rate assumption has a significant effect on such determination. To

illustrate, increasing such assumed growth rates by one percentage point would increase the present value of unfunded postretirement benefit obligation as of December 31, 2002 by $9 million and the net periodic postretirement benefit expense for 2002 by $1 million. Alternatively, decreasing such assumed growth rates by one percentage point would decrease the present value of unfunded postretirement benefit obligations as of December 31, 2002 by $9 million and the net periodic postretirement benefit expense for 2002 by $1 million.

As permitted under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

15. Equity Plan

The Company has adopted an equity plan intended to provide an equity interest in the Company to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The equity plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee is authorized to grant options, stock appreciation rights and restricted stock to officers and key employees of the Company and its subsidiaries. The equity plan also provides for the award of options to non-employee directors.

Stock option transactions are as follows:

	52 Weeks Ended February 1, 2003		52 Weeks Ended February 2, 2002		53 Weeks Ended February 3, 2001	
	Shares	Weighted Average Option Price	Shares	Weighted Average Option Price	Shares	Weighted Average Option Price
	(shares in thousands)					
Outstanding, beginning of year	25,612.6	$37.49	24,082.8	$36.08	17,307.1	$38.95
Granted	4,403.5	42.66	3,995.0	42.91	8,248.3	30.08
Canceled	(1,498.3)	40.19	(958.1)	38.65	(1,055.4)	40.36
Exercised	(822.7)	29.71	(1,507.1)	28.57	(417.2)	25.97
Outstanding, end of year	27,695.1	$38.40	25,612.6	$37.49	24,082.8	$36.08
Exercisable, end of year	14,840.3	$38.36	11,759.7	$36.58	9,040.5	$34.92
Weighted average fair value of options granted during the year		$20.73		$19.62		$14.33

The following summarizes information about stock options which remain outstanding as of February 1, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercisable Price	Number Exercisable	Weighted Average Exercise Price
	(thousands)			(thousands)	
$18.63–25.00	1,367.2	1.6 years	$ 21.37	1,367.2	$21.37
25.01–40.00	13,093.4	6.1 years	32.57	7,982.2	33.18
40.01–79.44	13,234.5	7.4 years	45.92	5,490.9	50.13

As of February 1, 2003, 5.4 million shares of Common Stock were available for additional grants pursuant to the Company's equity plan, of which 105,300 shares were available for grant in the form of restricted stock. No shares of Common Stock were granted in the form of restricted stock during the 52 weeks ended February 1, 2003. During the 52 weeks ended February 2, 2002, 234,278 shares of Common Stock were granted in the form of restricted stock, with 221,278 shares at a market value of $43.00 fully vesting after four years and 13,000 shares at a market value of $38.60 fully vesting after three years. During the 53 weeks ended February 3, 2001, 122,700 shares of Common Stock were granted in the form of restricted stock at a market value of $39.81 vesting ratably over a four-year period. Compensation expense is recorded for all restricted stock grants based on the amortization of the fair market value at the time of grant of the restricted stock over the period the restrictions lapse. There have been no grants of stock appreciation rights under the equity plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
Dividend yield	–	–	–
Expected volatility	41.5%	39.1%	37.0%
Risk-free interest rate	5.2%	4.6%	6.3%
Expected life	6 years	6 years	6 years

16. Shareholders' Equity

The authorized shares of the Company consist of 125.0 million shares of preferred stock ("Preferred Stock"), par value of $.01 per share, with no shares issued, and 500.0 million shares of Common Stock, par value of $.01 per share, with 265.3 million shares of Common Stock issued and 190.2 million shares of Common Stock outstanding at February 1, 2003 and 265.0 million shares of Common Stock issued and 200.8 million shares of Common Stock outstanding at February 2, 2002 (with shares held in the Company's treasury or by subsidiaries of the Company being treated as issued, but not outstanding).

The Company purchased 11.4 million shares of its Common Stock in 2002 at a cost of approximately $390 million and 7.4 million shares of its Common Stock in 2001 at an approximate cost of $300 million,

under its stock repurchase program. As of February 1, 2003, the Company had approximately $210 million of the $1,500 million 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.

In 2001, the Company issued 9.0 million shares of its Common Stock upon the exercise of the Company's Series D warrants.

Common Stock

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights that may be applicable to any Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors in its discretion, out of funds legally available therefor.

Preferred Share Purchase Rights

Each share of Common Stock is accompanied by one right (a "Right") issued pursuant to the Share Purchase Rights Agreement between the Company and The Bank of New York, as Rights Agent. Each Right entitles the registered holder thereof to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Series A Preferred Shares"), of the Company at a price (the "Purchase Price") of $62.50 per one one-hundredth of a Series A Preferred Share (subject to adjustment).

In general, the Rights will not become exercisable or transferable apart from the shares of Common Stock with which they were issued unless a person or group of affiliated or associated persons becomes the beneficial owner of, or commences a tender offer that would result in beneficial ownership of, 20% or more of the outstanding shares of Common Stock (any such person or group of persons being referred to as an "Acquiring Person"). Thereafter, under certain circumstances, each Right (other than any Rights that are or were beneficially owned by an Acquiring Person, which Rights will be void) could become exercisable to purchase at the Purchase Price a number of shares of Common Stock having a market value equal to two times the Purchase Price. The Rights will expire on December 19, 2004 unless earlier redeemed by the Company at a redemption price of $.03 per Right (subject to adjustment).

Treasury Stock

Treasury stock contains shares repurchased under the stock repurchase program, shares issued to wholly owned subsidiaries of the Company in connection with an acquisition, shares maintained in a trust related to the deferred compensation plans and shares repurchased to cover employee tax liabilities related to other stock plan activity.

Changes in the number of shares held in the treasury are as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(thousands)	
Balance, beginning of year	34,170.8	26,735.3	9,439.9
Additions:			
Repurchase program	11,431.1	7,408.0	17,573.3
Restricted stock	32.4	32.7	42.7
Deferred compensation plans	3.3	13.9	9.1
Distributions through stock plans	(588.2)	(19.1)	(329.7)
Balance, end of year	45,049.4	34,170.8	26,735.3

Additions to treasury stock for restricted stock and the deferred compensation plans represent shares accepted in lieu of cash to cover employee tax liabilities upon lapse of restrictions for restricted stock and upon distribution of Common Stock under the deferred compensation plans.

Under the deferred compensation plans, shares are maintained in a trust to cover the number estimated to be needed for distribution on account of stock credits currently outstanding. Changes in the number of shares held in the trust are as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002	53 Weeks Ended February 3, 2001
		(thousands)	
Balance, beginning of year	560.0	554.1	483.8
Additions	36.6	45.1	96.2
Distributions	(15.0)	(39.2)	(25.9)
Balance, end of year	581.6	560.0	554.1

17. Financial Instruments and Concentrations of Credit Risk

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts receivable

The carrying amount approximates fair value because of the short average maturity of the instruments, and because the carrying amount reflects a reasonable estimate of losses from doubtful accounts.

Notes Receivable

The fair value of notes receivable is estimated using discounted cash flow analysis, based on estimated market discount rates.

Long-term debt

The fair values of the Company's long-term debt, excluding capitalized leases, are estimated based on the quoted market prices for publicly traded debt or by using discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Interest rate cap agreements

The fair values of the interest rate cap agreements are estimated based on current settlement prices of comparable contracts obtained from dealer quotes.

Interest rate swap agreements

The fair values of the interest rate swap agreements are obtained from dealer quotes. The values represent the estimated amount the Company would pay or receive to terminate the agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The estimated fair values of certain financial instruments of the Company are as follows:

	February 1, 2003			February 2, 2002		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
	(millions)					
Notes receivable	$ 30	$ 30	$ 30	$ –	$ –	$ –
Long-term debt	3,354	3,354	3,634	3,808	3,808	3,893
Interest rate cap agreements	375	–	–	375	–	–
Interest rate swap agreements	–	–	–	600	1	1

The interest rate cap agreements are used, in effect, to hedge interest rate risk related to a portion of the variable rate indebtedness under the Company's Receivables Backed Financings.

The interest rate swap agreements were used, in effect, to convert a portion of the Company's fixed-rate debt to variable rate debt.

Commitments to extend credit under revolving agreements relate primarily to the aggregate unused credit limits and unused lines of credit extended under the Company's credit plans. These commitments generally can be terminated at the option of the Company. It is unlikely that the total commitment amount will represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and customer accounts receivable. The Company places its

temporary cash investments in what it believes to be high credit quality financial instruments. Credit risk with respect to customer accounts receivable is concentrated in the geographic regions in which the Company operates stores. Such concentrations, however, are considered to be limited because of the Company's large number of customers and their dispersion across many regions.

18. Earnings Per Share

The reconciliation of basic earnings per share to diluted earnings per share based on income from continuing operations before extraordinary item is as follows:

	52 Weeks Ended February 1, 2003		52 Weeks Ended February 2, 2002		53 Weeks Ended February 3, 2001	
	Income	Shares	Income	Shares	Income	Shares
	(millions, except per share data)					
Income from continuing operations before extraordinary item and average number of shares outstanding	$638	196.6	$518	195.1	$821	204.3
Shares to be issued under deferred compensation plans		.7		.6		.5
	$638	197.3	$518	195.7	$821	204.8
Basic earnings per share	$3.23		$2.65		$4.01	
Effect of dilutive securities:						
Warrants		–		1.8		1.1
Stock options		1.4		2.1		1.1
	$638	198.7	$518	199.6	$821	207.0
Diluted earnings per share	$3.21		$2.59		$3.97	

In addition to the warrants and stock options reflected in the foregoing table, stock options to purchase 23.0 million, 10.0 million and 9.2 million shares of common stock at prices ranging from $32.44 to $79.44 per share were outstanding at February 1, 2003, February 2, 2002 and February 3, 2001, respectively, 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.

19. Quarterly Results (unaudited)

Unaudited quarterly results for the 52 weeks ended February 1, 2003 and the 52 weeks ended February 2, 2002, were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(millions, except per share data)		
52 Weeks Ended February 1, 2003:				
Net sales	$3,453	$3,486	$3,479	$5,017
Cost of sales	2,078	2,051	2,112	3,014
Selling, general and administrative expenses	1,154	1,135	1,179	1,369
Income from continuing operations	89	133	75	341
Discontinued operations (a)	–	149	31	–
Net income	89	282	106	341
Basic earnings per share:				
Income from continuing operations	.44	.66	.38	1.78
Net income	.44	1.40	.54	1.78
Diluted earnings per share:				
Income from continuing operations	.43	.66	.38	1.78
Net income	.43	1.39	.54	1.78
52 Weeks Ended February 2, 2002:				
Net sales	$3,556	$3,488	$3,475	$5,132
Cost of sales	2,177	2,135	2,143	3,129
Selling, general and administrative expenses	1,175	1,113	1,192	1,321
Asset impairment and restructuring charges (see Note 4)	26	27	14	95
Income from continuing operations before extraordinary item	58	124	26	310
Discontinued operations (a)	–	(14)	(13)	(757)
Net income (loss)	58	110	3	(447)
Basic earnings (loss) per share:				
Income from continuing operations	.30	.63	.13	1.57
Net income (loss)	.30	.56	.02	(2.27)
Diluted earnings (loss) per share:				
Income from continuing operations	.29	.62	.13	1.55
Net income (loss)	.29	.55	.02	(2.23)

(a) Discontinued operations include the after-tax operations of Fingerhut Companies, Inc. in the 52 weeks ended February 2, 2002. The fourth quarter of 2001 includes the estimated after-tax loss on the disposal of discontinued operations of $770 million. The second and third quarter of 2002 represent adjustments to the estimated loss on disposal of discontinued operations.

Exhibit 10.1.1

LETTER AMENDMENT

Dated as of October 21, 2002

To the banks, financial institutions and
other institutional lenders (collectively,
the "LENDERS") parties to the Credit
Agreement referred to below. Citibank,
N.A., as an administrative agent and as
paying agent (the "PAYMENT AGENT") for
the Lenders, The Chase Manhattan Bank, as
an administrative agent, Fleet National Bank,
as syndication agent, and Bank of America, N.A.,
U.S. Bank National Association and Credit Suisse First
Boston, as documentation agents

Ladies and Gentlemen:

We refer to the Amended and Restated 364-Day Credit Agreement dated as of June 28, 2002 (as amended, supplemented or otherwise modified through the date hereof, the "CREDIT AGREEMENT") among the undersigned and you. Capitalized terms not otherwise defined in this Letter Amendment have the same meanings as specified in the Credit Agreement.

It is hereby agreed by you and us as follows:

The Credit Agreement is, effective as of the date of this Letter Amendment, hereby amended as follows:

Section 1.01 of the Credit Agreement is amended by deleting the definition of "NET INTEREST EXPENSE" set forth therein and substituting therefor a new definition of "NET INTEREST EXPENSE" to read as follows:

> "NET INTEREST EXPENSE" means, for the period, the amount (if any) by which (a) interest payable on all Debt (including, without limitation, the interest component of Capitalized Leases, but excluding interest expense incurred under the securitized receivables debt facility of Prime II Receivables Corporation) and amortization of deferred financing fees and debt discount in respect of all Debt exceeds (b) interest income, in each case of the Borrower and its Subsidiaries for such period, calculated on a Consolidated basis in accordance with GAAP.

The undersigned hereby represents and warrants to each of you that on the date of this Letter Amendment (a) the representations and warranties set forth in Section 4.01 of the Credit Agreement are correct before and after giving effect to this Letter Amendment, other than any such representations or warranties that by their terms refer to a specific date other than the date of this Letter Amendment, in which case are correct as of such specific date, and (b) no event has occurred and is continuing that constitutes a Default.

This Letter Amendment shall become effective as of the date first above written when, and only when, the Paying Agent shall have received counterparts of this Letter Amendment executed by the undersigned and the Required Lenders or, as to any of the Required Lenders, advice satisfactory to the Paying Agent that such Required Lender has executed this Letter Amendment. This Letter Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

On and after the effectiveness of this Letter Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement,

and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Letter Amendment.

The Credit Agreement and the Notes, as specifically amended by this

Letter Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Paying Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least three counterparts of this Letter Amendment to Susan Hobart, Esquire, Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, no later than 5:00 p.m. EDST on October 21, 2002.

This Letter Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Letter Amendment.

This Letter Amendment shall be governed by and construed in accordance with the laws of the State of New York.

THE BORROWER

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Senior Vice President and CFO

CITIBANK, N.A.,
as an Administrative Agent and
as Paying Agent

By: /s/ Anita J. Brickell

Title: Vice President

JPMORGAN CHASE BANK,
as an Administrative Agent

By: /s/ Barry K. Bergman

Title: Vice President

THE INITIAL LENDERS

LEAD ARRANGERS

CITIBANK, NA

By: /s/ Anita J. Brickell

Name: Anita J. Brickell
Title: Vice President

JPMORGAN CHASE BANK

By: /s/ Barry K. Bergman

Name: Barry K. Bergman
Title: Vice President

SYNDICATION AGENT

FLEET NATIONAL BANK

By:

Name:
Title:

DOCUMENTATION AGENTS

BANK OF AMERICA, N.A.

By: /s/ Amy Krovocheck

Name: Amy Krovocheck
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Bill O'Daly

Name: Bill O'Daly
Title: Director

By: /s/ Jay Chall

Name: Jay Chall
Title: Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Derek S. Roudebush

Name: Derek S. Roudebush
Title: Vice President

SENIOR MANAGING AGENTS

BANK ONE, NA (Main Office Chicago)

By: /s/ Catherine A. Muszynski

Name: Catherine A. Muszynski
Title: Director

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Bruce Kintner

Name: Bruce A. Kintner
Title: Vice President

MANAGING AGENTS

THE FIFTH THIRD BANK

By: /s/ Christine Wagner

Name: Christine Wagner

Title: Assistant Vice President

MELLON BANK, N.A.

By: /s/ Louis E. Flori

Name: Louis E. Flori
Title: Vice Presdent

SUMITOMO MITSUI BANKING
CORPORATION

By: /s/ Robert H. Riley

Name: Robert H. Riley, III

Title: Senior Vice President

LENDERS

ALLFIRST BANK

By: /s/ Brook Thropp

Name: Brook Thropp
Title: Vice President

BANCA NAZIONALE DEL LAVORO S.P.A.,
NEW YORK BRANCH

By:

Name:
Title:

By:

Name:
Title:

THE BANK OF NEW YORK

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION

By: /s/ Susan T. Vitale

Name: Susan T. Vitale
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Timothy P. Streb

Name: Timothy Streb
Title: Vice President

FIRST HAWAIIAN BANK

By:

Name:
Title:

Exhibit 10.2.1

LETTER AMENDMENT

Dated as of October 21, 2002

To the banks, financial institutions and other institutional lenders (collectively, the "LENDERS") parties to the Credit Agreement referred to below. Citibank, N.A., as an administrative agent and as paying agent (the "PAYMENT AGENT") for the Lenders, The Chase Manhattan Bank, as an administrative agent, Fleet National Bank, as syndication agent, and Bank of America, N.A., The Bank of New York and Credit Suisse First Boston, as documentation agents

Ladies and Gentlemen:

We refer to the Five Year Credit Agreement dated as of June 29, 2001 (as amended, supplemented or otherwise modified through the date hereof, the "CREDIT AGREEMENT") among the undersigned and you. Capitalized terms not otherwise defined in this Letter Amendment have the same meanings as specified in the Credit Agreement.

It is hereby agreed by you and us as follows:

The Credit Agreement is, effective as of the date of this Letter Amendment, hereby amended as follows:

Section 1.01 of the Credit Agreement is amended by deleting the definition of "NET INTEREST EXPENSE" set forth therein and substituting therefor a new definition of "NET INTEREST EXPENSE" to read as follows:

> "NET INTEREST EXPENSE" means, for the period, the amount (if any) by which (a) interest payable on all Debt (including, without limitation, the interest component of Capitalized Leases, but excluding interest expense incurred under the securitized receivables debt facility of Prime II Receivables Corporation) and amortization of deferred financing fees and debt discount in respect of all Debt exceeds (b) interest income, in each case of the Borrower and its Subsidiaries for such period, calculated on a Consolidated basis in accordance with GAAP.

The undersigned hereby represents and warrants to each of you that on the date of this Letter Amendment (a) the representations and warranties set forth in Section 4.01 of the Credit Agreement are correct before and after giving effect to this Letter Amendment, other than any such representations or warranties that by their terms refer to a specific date other than the date of this Letter Amendment, in which case are correct as of such specific date, and (b) no event has occurred and is continuing that constitutes a Default.

This Letter Amendment shall become effective as of the date first above written when, and only when, the Paying Agent shall have received counterparts of this Letter Amendment executed by the undersigned and the Required Lenders or, as to any of the Required Lenders, advice satisfactory to the Paying Agent that such Required Lender has executed this Letter Amendment. This Letter Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

On and after the effectiveness of this Letter Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Letter Amendment.

The Credit Agreement and the Notes, as specifically amended by this Letter Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Paying Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least three counterparts of this Letter Amendment to Susan Hobart, Esquire, Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, no later than 5:00 p.m. EDST on October 21, 2002.

This Letter Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Letter Amendment.

This Letter Amendment shall be governed by and construed in accordance with the laws of the State of New York.

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Name: Karen M. Hoguet

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as an Administrative Agent and
as Paying Agent

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Title: Vice President

JPMORGAN CHASE BANK,
as an Administrative Agent

By: /s/ Barry K. Bergman

Title: Vice President

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LEAD ARRANGERS

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By: /s/ Barry K. Bergman

Name: Barry K. Bergman
Title: Vice President

SYNDICATION AGENT

FLEET NATIONAL BANK

By:

Name:
Title:

DOCUMENTATION AGENTS

BANK OF AMERICA, N.A.

By: /s/ Amy Krovocheck

Name: Amy Krovocheck
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Bill O'Daly

Name: Bill O'Daly
Title: Director

By: /s/ Jay Chall

Name: Jay Chall
Title: Director

THE BANK OF NEW YORK

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President

SENIOR MANAGING AGENTS

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Derek S. Roudebush

Name: Derek S. Roudebush
Title: Vice President

BANK ONE, NA (Main Office Chicago)

By: /s/ Catherine A. Muszynski

Name: Catherine A. Muszynski
Title: Director

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Bruce Kintner

Name: Bruce A. Kintner
Title: Vice President

THE FIFTH THIRD BANK

By: /s/ Christine Wagner

Name: Christine Wagner
Title: Assistant Vice President

MELLON BANK, N.A.

By: /s/ Louis E. Flori

Name: Louis E. Flori
Title: Vice President

SUMITOMO MITSUI BANKING
CORPORATION

By: /s/ Robert H. Riley

Name: Robert H. Riley, III
Title: Senior Vice President

LENDERS

ALLFIRST BANK

By: /s/ John D. Serocca

Name: John B. Serocca
Title: Assistant Vice President

BANCA NAZIONALE DEL LAVORO S.P.A.,
NEW YORK BRANCH

By:

Name:
Title:

By:

Name:
Title:

STANDARD CHARTERED BANK

By: /s/ Guam Liu Log

Name: Guam Liu Log
Title: Head Portfolil

By: /s/ Andrew Y. Ng

Name: Andrew Y. Ng
Title: Vice President

WACHOVIA BANK, NATIONAL
ASSOCIATION

By: /s/ Susan T. Vitale

Name: Susan T. Vitale
Title: Vice President

Exhibit 10.19

[EXECUTION COPY]

- ---

CLASS A CERTIFICATE PURCHASE AGREEMENT

Dated as of November 6, 2002

among

PRIME II RECEIVABLES CORPORATION,
as Transferor,

FDS BANK,
as Servicer,

THE CLASS A PURCHASERS PARTIES HERETO,

and

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent and Administrative Agent

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LIST OF EXHIBITS

CLASS A CERTIFICATE PURCHASE AGREEMENT, dated as of November 6, 2002, by and among PRIME II RECEIVABLES CORPORATION, a Delaware corporation ("PRIME II RECEIVABLES CORPORATION"), as Transferor (the "TRANSFEROR"), FDS BANK ("FDSB"), a federal thrift institution organized and existing under the federal laws of the United States, successor in interest to FDS National Bank, as Servicer (the "SERVICER"), the CLASS A PURCHASERS from time to time parties hereto and BANK ONE, NA (MAIN OFFICE CHICAGO), a banking corporation organized under the federal laws of the United States of America, as Agent for the Class A Purchasers (in such capacity, the "AGENT") and as Administrative Agent for the Class A Purchasers and the Class B Purchasers (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:

WHEREAS, Prime II Receivables Corporation, as Transferor, FDSB, as Servicer, and the Trustee are parties to a certain Pooling and Servicing Agreement, dated as of January 22, 1997 (as the same may from time to time be amended or otherwise modified, the "MASTER POOLING AND SERVICING AGREEMENT"), and a Series 2002-1 Variable Funding Supplement thereto, dated as of November 6, 2002 (as the same may from time to time be amended or otherwise modified, the "SUPPLEMENT" and, together with the Master Pooling and Servicing Agreement, the "POOLING AND SERVICING AGREEMENT");

WHEREAS, the Trust proposes to issue its Class A Variable Funding Certificates, Series 2002-1 (the "CLASS A CERTIFICATES") and its Class B Variable Funding Certificates, Series 2002-1 (the "CLASS B CERTIFICATES" and, together with the Class A Certificates, the "SERIES 2002-1 VARIABLE FUNDING CERTIFICATES") pursuant to the Pooling and Servicing Agreement;

WHEREAS, the Trust also proposes to issue its Class C Certificates, Series 2002-1 (the "CLASS C CERTIFICATES" and, together with the Series 2002-1 Variable Funding Certificates, the "SERIES 2002-1 CERTIFICATES") pursuant to the Pooling and Servicing Agreement; and

WHEREAS, the Class A Purchasers are willing to purchase the Class A Certificates on the Closing Date and are willing (but, in the case of each Noncommitted Class A Purchaser, are not obligated) from time to time thereafter to purchase VFC Additional Class A Invested Amounts thereunder on the terms and conditions provided for herein;

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

SECTION 1.DEFINITIONS

1.1 DEFINITIONS. All capitalized terms used herein as defined terms and not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Certificates and to no other Series of Certificates issued by the Trust.

"ACCRUAL PERIOD" means each period from (and including) each Distribution Date to (but excluding) the following Distribution Date, provided that the initial Accrual Period hereunder means the period from (and including)

the date of the purchase of the Class A Certificate hereunder to (but excluding) the following Distribution Date.

"ACT" has the meaning specified in subsection 2.7(a) of this Agreement.

"ADJUSTED EURODOLLAR RATE" for any Fixed Period shall mean the rate per annum equal to the sum of (i) (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in United States dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Fixed Period, and having a maturity equal to such Fixed Period, provided that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable Adjusted Eurodollar Rate for the relevant Fixed Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in United States dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Fixed Period, and having a maturity equal to such Fixed Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable Adjusted Eurodollar Rate for the relevant Fixed Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in United States dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Fixed Period, in the approximate amount to be funded at the Adjusted Eurodollar Rate and having a maturity equal to such Fixed Period, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Fixed Period. The Adjusted Eurodollar Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"AFFECTED PARTY" shall mean, with respect to any Structured Purchaser, any Support Bank of such Structured Purchaser.

"AGENT" shall mean Bank One, in its capacity as Agent for the Class A Purchasers, or any successor agent hereunder.

"AGENT BASE RATE" shall mean, for any day, the rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"AGREEMENT" shall mean this Class A Certificate Purchase Agreement, as amended, modified or otherwise supplemented from time to time.

"ALTERNATE RATE" shall mean, for any Fixed Period with respect to the portion of the Class A Investor Principal Balance owed to a Committed Class A Purchaser or Support Bank, an interest rate per annum equal to 0.75% per annum above the Adjusted

Eurodollar Rate for such Fixed Period; PROVIDED, HOWEVER, that in the case of (i) any Fixed Period on or prior to the date on which such Committed Class A Purchaser or Support Bank shall have notified the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful for such Committed Class A Purchaser (or, in the case of a Structured Purchaser, for any Support Bank or other entity providing funds to such Structured Purchaser at an interest rate determined by reference to the Adjusted Eurodollar Rate or a similar rate) to fund such portion of the Class A Investor Principal Balance at the Alternate Rate described above (and such Committed Class A Purchaser or Support Bank shall not have subsequently notified the Agent that such circumstances no longer exist), (ii) any Fixed Period of less than 30 days, or (iii) any Fixed Period applicable to a portion of the Class A Investor Principal Balance of less than $500,000 in the aggregate owed to all Class A Purchasers, the "ALTERNATE RATE" for such Fixed Period for such Committed Class A Purchaser or Support Bank shall be a variable interest rate per annum equal to the Agent Base Rate from time to time in effect during such Fixed Period.

"ASSIGNEE" and "ASSIGNMENT" have the respective meanings specified in subsection 8.1(e) of this Agreement.

"BANK ONE" shall mean Bank One, NA (Main Office Chicago), a banking corporation organized under the federal laws of the United States of America.

"BUSINESS DAY" means any day on which (i) banks are not authorized or required to close in New York City or Chicago, Illinois and The Depository Trust Company of New York is open for business and (ii) if such term is used in connection with the Adjusted Eurodollar Rate, dealings in dollar deposits are carried out in the London interbank market.

"CLASS A CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"CLASS A FEE LETTER" shall mean that certain letter agreement, designated therein as the Series 2002-1 Class A Fee Letter and dated as of the date hereof, among the Agent, the Transferor and the Servicer, as such letter agreement may be amended or otherwise modified from time to time.

"CLASS A INVESTOR PRINCIPAL BALANCE" shall mean, when used with respect to any Business Day, an aggregate amount equal to (a) the Class A Initial Invested Amount, PLUS (b) the aggregate VFC Additional Class A Invested Amounts purchased by the Class A Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement, MINUS (c) the aggregate amount of principal payments made to the Class A Certificateholders prior to such Business Day.

"CLASS A OWNERS" shall mean, with respect to any Class A Certificate held by the Agent hereunder for the benefit of Class A Purchasers, the owners of the Class A Invested Amount represented by such Class A Certificate as reflected on the books of the Agent in accordance with this Agreement.

"CLASS A PROGRAM FEE" shall mean the ongoing fees payable to the Agent or the Class A Purchasers in the amounts and on the dates set forth in the Class A Fee Letter.

"CLASS A REPAYMENT AMOUNT" shall mean the sum of all amounts payable with respect to the principal amount of the Class A Certificates and interest on the Class A Certificates and all other amounts (other than amounts payable pursuant to subsection 2.3(b) or (c), the last sentence of subsection 2.6(a) and Section 2.7 hereof unless such amounts are not paid by the Servicer pursuant to this Agreement) owing to the Class A Purchasers hereunder.

"CLASS B CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"CLASS C CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"CLOSING DATE" shall mean November 6, 2002.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor law.

"COMMERCIAL PAPER" means promissory notes of a Structured Purchaser issued by the Structured Purchaser in the commercial paper market.

"COMMERCIAL PAPER COSTS" means, for each day, the sum of (i) the discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on

such day net of expenses in respect of breakage funding costs payable to the Structured Purchaser pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if the Transferor shall request any VFC Additional Class A Invested Amount during any period of time determined by the Agent in its sole discretion to result in incrementally higher Commercial Paper Costs applicable to such VFC Additional Class A Invested Amount, the principal of any such VFC Additional Class A Invested Amount shall, during such period, be deemed to be funded by the Structured Purchaser in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional Commercial Paper Costs applicable only to such special pool and charged each day during such period against such VFC Additional Class A Invested Amount.

"COMMITTED CLASS A PURCHASER" shall mean (i) Bank One, (ii) any other Class A Purchaser which has a Commitment, as set forth, in the case of any initial Class A Purchaser, on its signature page hereto, and otherwise, in its respective Joinder Supplement and (iii) any Assignee of such Class A Purchaser to the extent of the portion of such Commitment assumed by such Assignee pursuant to its respective Transfer Supplement.

"COMMITMENT" shall mean, for any Committed Class A Purchaser, the maximum amount of such Committed Class A Purchaser's commitment to purchase a portion the Class A Invested Amount, as set forth, in the case of any initial Class A Purchaser, on its signature page hereto, and otherwise, in the Joinder Supplement or the Transfer Supplement by which such Committed Class A Purchaser became a party to this Agreement or assumed the Commitment (or a portion thereof) of another Committed Class A Purchaser, as such amount may be adjusted from time to time pursuant to Transfer Supplement(s) executed by such Committed Class A Purchaser and its Assignee and delivered pursuant to Section 8.1 of this Agreement or pursuant to Section 2.2 of this Agreement.

"COMMITMENT EXPIRATION DATE" shall mean, for a Committed Class A Purchaser, the date set forth, in the case of any initial Class A Purchaser, on its signature page hereto, and otherwise, in the Joinder Supplement or the Transfer Supplement by which such Committed Class A Purchaser became a party to this Agreement or assumed the Commitment (or a portion thereof) of another Committed Class A Purchaser, as such date may be extended from time to time by mutual agreement of all Class A Purchasers, the Agent and the Transferor.

"COMMITMENT PERCENTAGE" shall mean, for a Committed Class A Purchaser, such Class A Purchaser's Commitment as a percentage of the aggregate Commitments of all Committed Class A Purchasers.

"DEFAULTING PURCHASER" has the meaning specified in subsection 2.1(e) of this Agreement.

"DISCOUNT RATE" shall mean the Alternate Rate or the Agent Base Rate, as applicable.

"DOWNGRADED PURCHASER" has the meaning specified in subsection 8.1(k) of this Agreement.

"DUE PERIOD" shall mean, with respect to a Distribution Date, (i) as to a Structured Purchaser, the Accrual Period immediately preceding such Distribution Date and (ii) as to a Support Bank, the entire Fixed Period in which such Distribution Date occurs.

"ELIGIBLE ASSIGNEE" shall mean Bank One and, with the consent of the Agent and the Transferor (such consent not to be unreasonably withheld), each other liquidity provider or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent.

"EXCLUDED TAXES" has the meaning specified in subsection 2.5(a) of this Agreement.

"FDSB" has the meaning specified in the preamble to this Agreement.

"FIXED PERIOD" shall mean, with respect to any Class A Purchaser and any portion of the Class A Investor Principal Balance owed to such Class A Purchaser:

(a) if Yield for such Class A Investor Principal Balance is calculated on the basis of the Adjusted Eurodollar Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and Transferor, commencing on a Business Day selected by the Transferor or the Agent pursuant to this Agreement. Such Fixed Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Fixed Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Fixed Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Class A Investor Principal Balance is calculated on the basis of the Agent Base Rate, a period commencing on a Business Day selected by the Transferor and agreed to by the Agent, provided no such period shall exceed one month.

If any Fixed Period would end on a day which is not a Business Day, such Fixed Period shall end on the next succeeding Business Day, provided, however, that in the case of Fixed Periods corresponding to the Adjusted Eurodollar Rate, if such next succeeding Business Day falls in a new month, such Fixed Period shall end on the immediately preceding Business Day. In the case of any Fixed Period for any Class A Investor Principal Balance which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Fixed Period shall end on the Termination Date. The duration of each Fixed Period which commences after the Termination Date shall be of such duration as selected by the Agent.

"GOVERNMENTAL AUTHORITY" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"INDEMNITEE" has the meaning specified in subsection 2.7(a) of this Agreement.

"INDEMNIFYING PARTY" has the meaning specified in subsection 2.7(b) of this Agreement.

"INVESTING OFFICE" shall mean for Bank One and Jupiter, the office designated for Bank One in Section 9.2 of this Agreement, and, for any other Class A Purchaser, the office of any Class A Purchaser (if any) designated as such, in the case of any other initial Class A Purchaser, in its Joinder Supplement and, in the case of any Assignee, in the related Transfer Supplement, and thereafter, such other office of such Class A Purchaser or such Assignee which shall be a beneficial holder of a portion of the Class A Certificate as may be designated in writing to the Agent, the Transferor, the Servicer and the Trustee by such Class A Purchaser or Assignee.

"INVESTMENT LETTER" has the meaning specified in subsection 8.1(a) of this Agreement.

"JOINDER SUPPLEMENT" has the meaning specified in subsection 2.2(d) of this Agreement.

"JUPITER" shall mean Jupiter Securitization Corporation, a corporation organized under the laws of the State of Delaware.

"LIQUIDITY AGREEMENT" shall mean any agreement entered into by any Support Bank providing for the issuance of one or more letters of credit for the account of any Structured Purchaser, the issuance of one or more surety bonds for which any Structured Purchaser is obligated to reimburse the applicable Support Bank for any drawings thereunder, the sale by any Structured Purchaser to any Support Bank of an interest in any Class A Certificate and/or the making of loans and/or other extensions of credit to any Structured

Purchaser in connection with such Structured Purchaser's securitization program (whether for liquidity or credit enhancement support), together with any letter of credit, surety bond or other instrument issued thereunder.

"LIQUIDATION DAY" shall mean, for any Class A Purchaser and any portion of the Class A Investor Principal Balance owed to such Purchaser, any day other than the last day of such Class A Purchaser's Fixed Period applicable to such portion of the Class A Investor Principal Balance (without taking into account any shortened duration of such Fixed Period pursuant to clause (iv) of the definition thereof), on which a reduction of such portion of the Class A Investor Principal Balance occurs.

"LIQUIDATION FEE" shall mean, for any Class A Purchaser and for any Liquidation Day, the amount, if any, by which (i) the additional Yield (calculated without taking into account any Liquidation Fee) which would have accrued during the current Fixed Period on the portion of the Class A Investor Principal Balance owed to such Purchaser which is reduced on such day, exceeds (ii) the income, if any, received by such Class A Purchaser from investing the proceeds of such reduction of the Class A Investor Principal Balance.

"LIQUIDITY PUT" shall mean, with respect to a Structured Purchaser, that such Structured Purchaser, pursuant to its Liquidity Agreement, has sold to one or more Support Banks an interest in such Structured Purchaser's interest in the Class A Certificates funded or maintained by such Structured Purchaser at the time of such sale.

"MASTER POOLING AND SERVICING AGREEMENT" has the meaning specified in the recitals to this Agreement.

"MOODY'S" shall mean Moody's Investors Service, Inc.

"NONCOMMITTED CLASS A PURCHASER" shall mean Jupiter and any other Class A Purchaser which is not a Committed Class A Purchaser.

"NONCOMMITTED PURCHASER PERCENTAGE" shall mean for each Class A Purchaser which is not a Committed Class A Purchaser, the percentage set forth, in the case of the initial Noncommitted Class A Purchaser, on its signature page hereto, and otherwise in its Joinder Supplement or the Transfer Supplement by which such Class A Purchaser became a party to this Agreement, as such percentage may be adjusted from time to time pursuant to Transfer Supplement(s) executed by such Class A Purchaser and any Assignee and delivered pursuant to Section 8.1 of this Agreement.

"NONDEFAULTING PURCHASER" has the meaning specified in subsection 2.1(e) of this Agreement.

"PARTICIPANT" has the meaning specified in subsection 8.1(d) of this Agreement.

"PARTICIPATION" has the meaning specified in subsection 8.1(d) of the Agreement.

"PERCENTAGE INTEREST" shall mean, for a Class A Purchaser, (a) the sum of (i) the portion of the Class A Initial Invested Amount (if any) purchased by such Class A Purchaser, PLUS (ii) the aggregate VFC Additional Class A Invested Amounts (if any) purchased by such Class A Purchaser through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement, PLUS (iii) any portion of the Class A Investor Principal Balance acquired by such Class A Purchaser as an Assignee from another Class A Purchaser pursuant to a Transfer Supplement executed and delivered pursuant to Section 8.1 of this Agreement, MINUS (iv) the aggregate amount of principal payments made to such Class A Purchaser prior to such Business Day, MINUS (v) any portion of the Class A Investor Principal Balance assigned by such Class A Purchaser to an Assignee pursuant to a Transfer Supplement executed and delivered pursuant to Section 8.1 of this Agreement, as a percentage of (b) the aggregate Class A Investor Principal Balance.

"POOLED COMMERCIAL PAPER" means Commercial Paper notes of the Structured Purchaser subject to any particular pooling arrangement by such Structured Purchaser, but excluding Commercial Paper issued by such Structured

Purchaser for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by such Structured Purchaser.

"POOLING AND SERVICING AGREEMENT" has the meaning specified in the recitals to this Agreement.

"PURCHASE DATE" shall mean the Closing Date and each date on which a purchase of a VFC Additional Class A Invested Amount is to occur in accordance with Section 6.15 of the Pooling and Servicing Agreement and Section 2.1 hereof.

"RATING AGENCY" shall mean each of Moody's and Standard & Poor's.

"REDUCTION AMOUNT" has the meaning specified in subsection 2.6(a) of this Agreement.

"REGULATORY CHANGE" shall mean, as to each Class A Purchaser, any change occurring after, in the case of Bank One and Jupiter, the Closing Date, and in the case of any other Class A Purchaser, the date of the execution and delivery of the Joinder Supplement or the Transfer Supplement by which it became party to this Agreement; in the case of a Participant, the date on which its Participation became effective or, in the case of an Affected Party, the date it became such an Affected Party, in any (or the adoption after such date of any new):

(i) United States Federal or state law or foreign law applicable to such Class A Purchaser, Affected Party or Participant; or

(ii) regulation, interpretation, directive, guideline or request (whether or not having the force of law) applicable to such Class A Purchaser, Affected Party or Participant of any court or other judicial authority or any Governmental Authority charged with the interpretation or administration of any law referred to in clause (i) or of any fiscal, monetary or other authority or central bank having jurisdiction over such Class A Purchaser, Affected Party or Participant.

"RELATED DOCUMENTS" shall mean, collectively, this Agreement (including the Class A Fee Letter and all Joinder Supplements and Transfer Supplements), the Master Pooling and Servicing Agreement, the Supplement, the Series 2002-1 Certificates, and the Receivables Purchase Agreement.

"REPLACEMENT PURCHASER" has the meaning specified in subsection 2.4(c) of this Agreement.

"REQUIRED CLASS A OWNERS" shall mean, at any time, Class A Purchasers having Percentage Interests aggregating at least 50.1%.

"REQUIRED CLASS A PURCHASERS" shall mean, at any time, Committed Class A Purchasers having Commitments aggregating at least 50.1% of the aggregate Commitments of all Committed Class A Purchasers.

"REQUIREMENT OF LAW" shall mean, as to any Person, any law, treaty, rule, directive or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether federal, state or local (including, without limitation, usury laws, the Federal Truth in Lending Act and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System).

"RESERVE ACCOUNT INCREASE NOTICE" shall mean a notice delivered by the Administrative Agent in accordance with Section 2.8 hereof.

"SERIES 2002-1 VARIABLE FUNDING CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"SERVICER" has the meaning specified in the preamble to this Agreement.

"STANDARD & POOR'S" shall mean Standard & Poor's Ratings

Services, a division of The McGraw-Hill Companies, Inc.

"STRUCTURED PURCHASER" shall mean Jupiter and any other Class A Purchaser whose principal business consists of issuing commercial paper, medium term notes or other securities to fund its acquisition and maintenance of receivables, accounts, instruments, chattel paper, general intangibles and other similar assets or interests therein and which is required by any nationally recognized rating agency which is rating such securities to obtain

from its principal debtors an agreement such as that set forth in subsection 9.12(b) of this Agreement in order to maintain such rating.

"SUPPLEMENT" has the meaning specified in the recitals to this Agreement.

"SUPPORT BANK" shall mean Bank One and any other bank or other financial institution in its respective capacity as an institution extending or having a commitment to extend funds to or for the account of any Structured Purchaser (including by agreement to purchase an assignment of, or participation in Class A Certificates) under a liquidity or credit support agreement which relates to this Agreement.

"TAXES" has the meaning specified in subsection 2.5(a) of this Agreement.

"TERMINATION DATE" shall mean the Amortization Period Commencement Date.

"TERMINATION EVENT" has the meaning specified in Section 2.8 hereof.

"TRANSFER" has the meaning specified in subsection 8.1(c) of this Agreement.

"TRANSFER SUPPLEMENT" has the meaning specified in subsection 8.1(e) of this Agreement.

"TRANSFEROR" has the meaning specified in the preamble to this Agreement.

"TRUST" shall mean the Prime Credit Card Master Trust II.

"TRUSTEE" shall mean JPMorgan Chase Bank, a banking corporation organized and existing under the laws of the State of New York, successor in interest to The Chase Manhattan Bank, in its capacity as Trustee under the Pooling and Servicing Agreement, together with its successors in such capacity.

"WRITTEN" or "IN WRITING" (and other variations thereof) shall mean any form of written communication or a communication by means of telex, telecopier device, telegraph or cable.

"YIELD" shall mean, for each Due Period, an amount equal to the product of the applicable Discount Rate multiplied by the Class A Invested Amount owing to the Committed Class A Purchasers for each day elapsed during such Due Period, on a basis of 360 days if the Discount Rate is the Adjusted Eurodollar Rate or 365 days or 366 days, as applicable, if the Discount Rate is the Agent Base Rate.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 PURCHASES. (a) On and subject to the terms and conditions of this Agreement, each Noncommitted Class A Purchaser which is a party hereto on the Closing Date, severally, agrees to acquire its Noncommitted Purchaser Percentage of the Class A Certificates on the Closing Date for a purchase price equal to its Noncommitted Purchaser Percentage of the

Initial Class A Invested Amount, which shall not be less than $500,000, and each Committed Class A Purchaser which is a party hereto on the Closing Date, severally, agrees to acquire its Commitment Percentage of the Class A Certificates not so acquired by Noncommitted Class A Purchasers on the Closing Date for a purchase price equal to the portion of the Initial Class A Invested Amount represented thereby on the Closing Date. Such purchase price shall be made available to the Transferor, subject to the satisfaction of the conditions specified in Section 3 hereof, at or prior to 12:00 noon Chicago time on the Closing Date, at an account of the Transferor specified in writing by the Transferor to the Agent in funds immediately available to the Transferor. The Class A Purchasers hereby direct that the Class A Certificates be registered in the name of the Agent, on behalf of the Class A Owners from time to time hereunder.

(b) On and subject to the terms and conditions of this Agreement and prior to the Termination Date, (i) each Noncommitted Class A Purchaser may purchase its Noncommitted Purchaser Percentage of any VFC Additional Class A Invested Amount offered for purchase by the Transferor pursuant to Section 6.15 of the Pooling and Servicing Agreement in an amount of not less than $500,000, and (ii) each Committed Class A Purchaser, severally, agrees to purchase a portion of such VFC Additional Class A Invested Amount which is not purchased by Noncommitted Class A Purchasers pursuant to clause (i) in an amount equal to the lesser of (A) its Commitment Percentage thereof, or (B) the excess of its Commitment over its Percentage Interest of the Class A Investor Principal Balance (determined prior to giving effect to such purchase), in either case for a purchase price equal to the VFC Additional Class A Invested Amount so purchased. Such purchase price shall be made available to the Trustee in immediately available funds, for the account of the Transferor, subject to the satisfaction of the conditions specified in Section 3 hereof, at or prior to 12:00 noon Chicago time on the applicable Purchase Date specified pursuant to subsection 2.1(c), for deposit in the Proceeds Account held by the Trustee pursuant to the Supplement. Each Noncommitted Class A Purchaser which is a Structured Purchaser confirms by becoming a party to this Agreement that, subject to the terms and conditions of this Agreement, it currently intends (but is under no obligation) to purchase its Noncommitted Purchaser Percentage of any VFC Additional Class A Invested Amount offered for purchase by the Transferor pursuant to Section 6.15 of the Pooling and Servicing Agreement to the extent that, at the time of such purchase, it is permitted and able in the ordinary course of its business to issue commercial paper which is rated not lower than the respective ratings assigned by Moody's and Standard & Poor's on the date on which such Structured Purchaser became a Class A Purchaser (without increasing or otherwise modifying any letter of credit or other enhancement provided to such Structured Purchaser or any liquidity support provided to such Structured Purchaser by Affected Parties) in sufficient amounts fully to fund such purchase.

(c) (i) The purchase of the Initial Class A Invested Amount shall be made on prior notice from the Transferor to the Agent received by the Agent not later than 6:00 a.m. Chicago time on the Closing Date, and each purchase of any VFC Additional Class A Invested Amount on the applicable Purchase Date shall be made on prior notice from the Transferor to the Agent received by the Agent not later than 3:00 p.m. Chicago time on the Business Day immediately preceding such Purchase Date. Each such notice shall be irrevocable and shall specify (A) the aggregate VFC Additional Class A Invested Amount to be purchased, (B) the applicable Purchase Date (which shall be a Business Day), and (C) the desired duration of the initial Fixed Period, if applicable, for the Class A Investor Principal Balance of each applicable Purchaser. The Agent shall promptly forward a copy of such notice to each Class A

Purchaser. In the case of the purchase of a VFC Additional Class A Invested Amount, each Noncommitted Class A Purchaser shall notify the Agent by 4:00 p.m., Chicago time, on the Business Day immediately preceding the applicable Purchase Date whether it has determined to make such purchase and, if so, whether all of the terms specified by the Transferor are acceptable to such Noncommitted Class A Purchaser. In the event that a Noncommitted Class A Purchaser shall not have timely provided such notice, it shall be deemed to have determined not to make such purchase. The Agent shall notify the Transferor and each Committed Class A Purchaser on or prior to 6:00 a.m., Chicago time, on the applicable Purchase Date of whether each Noncommitted Class A Purchaser has so determined to purchase its share of such VFC Additional Class A Invested Amount and, in the

event that Noncommitted Class A Purchasers have not determined to purchase the entire VFC Additional Class A Invested Amount, the Agent shall specify in such notice (A) the portion of the VFC Additional Class A Invested Amount to be purchased by each Committed Class A Purchaser, (B) the applicable Purchase Date (which shall be a Business Day), and (C) the duration of the initial Fixed Period for the Class A Investor Principal Balance of each Committed Class A Purchaser.

(ii) The Discount Rate and related Fixed Periods for the Class A Invested Amounts funded or maintained by the Support Bank shall be selected as follows: Transferor shall by 11:00 a.m. (Chicago time), at least three (3) Business Days prior to the commencement of any Fixed Period with respect to which the Alternate Rate is applicable as a new Discount Rate and, at least one (1) Business Day prior to the commencement of any Fixed Period with respect to which the Agent Base Rate is applicable as a new Discount Rate, give the Agent irrevocable notice of the new Discount Rate and the length of the associated Fixed Period. Until Transferor gives notice to the Agent of another Discount Rate, the initial Discount Rate for any Class A Invested Amount transferred to the Support Bank shall be the Agent Base Rate. If the Support Bank acquires by assignment from Jupiter any Class A Invested Amount, such Class A Invested Amount shall be deemed to be allocated to a new Fixed Period commencing on the date of any such assignment.

(iii) Commercial Paper Costs will accrue each day on a pro rata basis, based upon the percentage share the Class A Investor Principal Balance represents in relation to all assets held by the Structured Purchaser and funded substantially with Pooled Commercial Paper.

(d) In no event may the Transferor offer any VFC Additional Class A Invested Amount for purchase hereunder or under Section 6.15 of the Pooling and Servicing Agreement, nor shall any Committed Class A Purchaser be obligated to purchase any VFC Additional Class A Invested Amount, to the extent that such VFC Additional Class A Invested Amount, when aggregated with the Class A Investor Principal Balance determined prior to giving effect to the issuance thereof, would exceed the aggregate Commitments.

(e) In the event that one or more Committed Class A Purchasers (the "DEFAULTING PURCHASERS") fails to fund its Committed Percentage of any purchase of a VFC Additional Class A Invested Amount by 12:00 p.m. noon, Chicago time, on the applicable Purchase Date and the Servicer shall have notified the Agent of such failure by not later than

12:30 p.m., Chicago time, on such Purchase Date, the Agent shall so notify each of the other Committed Class A Purchasers (the "NONDEFAULTING PURCHASERS") not later than 1:30 p.m., Chicago time, on such Purchase Date, and each Nondefaulting Purchaser shall, subject to the satisfaction of the conditions specified in Section 3 hereof, purchase a portion of the aggregate VFC Additional Class A Invested Amount which was to be purchased by the Defaulting Purchasers equal to the lesser of (i) its Commitment Percentage thereof as a percentage of the aggregate Commitment Percentages of all Nondefaulting Purchasers, and (ii) the excess of its Commitment over its Percentage Interest of the Class A Investor Principal Balance (determined prior to giving effect to such purchase), in either case for a purchase price equal to the VFC Additional Class A Invested Amount so purchased, by making such purchase price available to the Trustee for the account of the Transferor at or prior to 4:00 p.m., Chicago time, on such Purchase Date for deposit in the Proceeds Account in immediately available funds. No such purchase by Nondefaulting Purchasers shall relieve any Defaulting Purchaser of its obligations to make purchases hereunder, and each Defaulting Purchaser shall from and after the applicable Purchase Date be obligated to purchase the portion of any VFC Additional Class A Invested Amount which such Defaulting Purchaser was required to purchase hereunder and which was purchased by a Nondefaulting Purchaser from such Nondefaulting Purchaser at a purchase price equal to (i) the portion of the Class A Investor Principal Balance represented thereby, plus (ii) accrued and unpaid interest thereon at the applicable Class A Certificate Rate, plus (iii) an amount calculated at the rate of 1.0% per annum from the applicable Purchase Date for such VFC Additional Class A Invested Amount through the date of such purchase by the Defaulting Purchaser. The Transferor shall have the right to replace any Defaulting

Purchaser hereunder with a Replacement Purchaser, and the Agent, acting at the request of the Required Class A Purchasers, shall have the right to replace such Defaulting Purchaser with a Replacement Purchaser which is an Eligible Assignee or is otherwise reasonably acceptable to the Transferor; PROVIDED, that (x) such replacement shall not affect the Defaulting Purchaser's right to receive any amounts otherwise owed to it hereunder, when and as the same would have been due and payable without regard to such replacement (subject to the rights of the other parties hereto with respect to such Defaulting Purchaser), and (y) such Replacement Purchaser shall, concurrently with its becoming a Committed Class A Purchaser hereunder, purchase the portion of any VFC Additional Class A Invested Amount at the time required to be purchased by the Defaulting Purchaser pursuant to the preceding sentence for a purchase price equal to (i) the portion of the Class A Investor Principal Balance represented thereby, plus (ii) accrued and unpaid interest thereon at the applicable Class A Certificate Rate; PROVIDED FURTHER, that upon any such replacement and purchase by a Replacement Purchaser, any amounts owing to Nondefaulting Purchasers by such Defaulting Purchaser under clause (iii) of the preceding sentence shall remain an obligation of such Defaulting Purchaser.

(f) The Class A Certificates shall be paid as provided in the Pooling and Servicing Agreement. The Agent shall allocate each payment in reduction of the Class A Investor Principal Balance to the Class A Owners pro rata based on their respective Percentage Interests, and shall allocate each payment of Class A Interest for any Business Day to the Class A Owners pro rata based on the Yield or Commercial Paper Costs, as applicable, on such Class A Owner's portion of the Class A Investor Principal Balance for such Business Day. Amounts so allocated by the Agent shall be distributed by the Agent to the respective Class A Owners when and as received by the Agent from the Trust.

2.2 REDUCTIONS AND INCREASES OF COMMITMENTS. (a) At any time the Transferor may, upon at least five Business Days' prior written notice to the Agent, terminate in whole or reduce in part the portion of the Commitments which exceed the then outstanding Class A Investor Principal Balance (after adjustments thereto occurring on the date of such termination or reduction). Each such partial reduction shall be in an aggregate amount of $10,000,000 or integral multiples thereof. On the Termination Date, the aggregate Commitments shall automatically reduce to an amount equal to the Class A Investor Principal Balance on such day, and on each Business Day thereafter shall be further reduced by an amount equal to the reduction in the Class A Investor Principal Balance (if any) on such day. Reductions of the aggregate Commitments pursuant to this subsection 2.2(a) shall be allocated to the pro rata to the Commitments of each Committed Class A Purchaser based on its respective Commitment Percentage.

(b) The Transferor may, upon at least two Business Days' prior written notice to the Agent, terminate in whole or reduce in part the Commitment of any Defaulting Purchaser or Downgraded Purchaser to an amount not less than such Class A Purchaser's Percentage Interest of the Class A Investor Principal Balance. Each such partial reduction shall be in an aggregate amount of 1,000,000 or integral multiples thereof. No such termination of reduction shall relieve such Defaulting Purchaser of its obligations to Nondefaulting Purchasers pursuant to subsection 2.1(e) hereof.

(c) The aggregate Commitments of the Committed Class A Purchasers may be increased from time to time through the increase of the Commitment of one or more Committed Class A Purchasers; PROVIDED, HOWEVER, that no such increase shall have become effective unless (i) the Agent and the Transferor shall have given their written consent thereto, (ii) such increasing Committed Class A Purchaser shall have entered into an appropriate amendment or supplement to this Agreement reflecting such increased Commitment and (iii) such conditions, if any, as the Agent shall have required in connection with its consent (including, without limitation, the delivery of legal opinions with respect to such Committed Class A Purchaser, the agreement of such Committed Class A Purchaser to become a Support Bank for one or more Structured Purchasers having a support commitment corresponding to its Commitment hereunder and approvals from the Rating Agency) shall have been satisfied. The Transferor may also increase the aggregate Commitments of the Committed Class A Purchasers from time to time by adding additional Committed Class A Purchasers in accordance with subsection 2.2(d).

(d) Subject to the provisions of subsections 8.1(a) and 8.1(b) applicable to initial purchasers of Class A Certificates, a Person having short-term credit ratings of not lower than P-1 from Moody's and A-1 from Standard & Poor's may from time to time with the written consent of the Agent and the Transferor become a party to this Agreement as an initial or an additional Noncommitted Class A Purchaser or an initial or an additional Committed Class A Purchaser by (i) delivering to the Transferor an Investment Letter and (ii) entering into an agreement substantially in the form attached hereto as EXHIBIT B hereto (a "JOINDER SUPPLEMENT"), with the Agent and the Transferor, acknowledged by the Servicer, which shall specify (A) the name and address of such Person for purposes of Section 9.2 hereof, (B) whether such Person will be a Noncommitted Class A Purchaser or Committed Class A Purchaser and, if such Person will be a Committed Class A Purchaser, its Commitment, and (C) the other

information provided for in such form of Joinder Supplement. Upon its receipt of a duly executed Joinder Supplement, the Agent shall on the effective date determined pursuant thereto give notice of such effectiveness to the Transferor, the Servicer and the Trustee, and the Servicer will provide notice thereof to each Rating Agency (if required). If, at the time the effectiveness of the Joinder Supplement for an additional Committed Class A Purchaser, the other Committed Class A Purchasers are Class A Owners, it shall be a condition to such effectiveness that such additional Committed Class A Purchaser purchase from each other Class A Purchaser an interest in the Class A Certificates in an amount equal to (i) such other Class A Purchaser's Percentage Interest of the Class A Investor Principal Balance, times (ii) a fraction, the numerator of which equals the Commitment of such additional Class A Purchaser, and the denominator of which equals the aggregate Commitments of the Class A Purchasers (determined after giving effect to the additional Commitment of the additional Class A Purchaser as set forth in such Joinder Supplement), for a purchase price equal to the portion of the Class A Investor Principal Balance purchased.

2.3 FEES, EXPENSES, PAYMENTS, ETC. (a) Subject to the provisions of subsection 9.12(a) hereof, the Transferor agrees to pay to the Agent for the account of the Class A Purchasers the fees set forth in the Class A Fee Letter at the times specified therein.

(b) Subject to the provisions of subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, shall be obligated to pay on demand to (i) the Agent and the initial Class A Purchasers all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including any requested amendments, waivers or consents of any of the Related Documents) of this Agreement, and the other documents to be delivered hereunder or in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent and each of the initial Class A Purchasers with respect thereto and (ii) the Agent and each Class A Purchaser, all reasonable costs and expenses, if any, in connection with the enforcement of any of the Related Documents, and the other documents delivered thereunder or in connection therewith.

(c) Subject to the provisions of subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, shall be obligated to pay on demand any and all stamp and other taxes (other than Taxes covered by Section 2.5 and Excluded Taxes) and fees payable in connection with the execution, delivery, filing and recording of this Agreement, the Class A Certificates, any of the other Related Documents or the other documents and agreements to be delivered hereunder and thereunder, and agree to save each Class A Purchaser and the Agent harmless from and against any liabilities with respect to or resulting from any delay by the Transferor or FDSB in paying or omission to pay such taxes and fees.

(d) Yield calculated by reference to the Adjusted Eurodollar Rate shall be calculated on the basis of a 360-day year for the actual days elapsed. Any Yield or interest accruing at the Agent Base Rate shall be calculated on the basis of a 365- or 366-day year, as applicable, for the actual days elapsed. Fees or other periodic amounts payable hereunder shall be calculated, unless otherwise specified in the Class A Fee Letter, on the basis of a 360-day year and for the actual days elapsed.

(e) Each determination of Yield and Commercial Paper Costs by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Class A Purchasers, the Transferor, the Servicer and the Trustee in the absence of manifest error.

(f) All payments to be made hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:30 p.m., Chicago time, on the due date thereof to the Agent's account specified in subsection 9.2(b) hereof, in United States dollars and in immediately available funds. Notwithstanding anything herein to the contrary, if any payment due hereunder becomes due and payable on a day other than a Business Day, the payment date thereof shall be extended to the next succeeding Business Day and interest shall accrue thereon at the applicable rate during such extension. To the extent that (i) the Trustee, FDSB, the Transferor or the Servicer makes a payment to the Agent or a Class A Purchaser or (ii) the Agent or a Class A Purchaser receives or is deemed to have received any payment or proceeds for application to an obligation, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy or insolvency law, state or Federal law, common law, or for equitable cause, then, to the extent such payment or proceeds are set aside, the obligation or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received or deemed received by the Agent or the Class A Purchaser, as the case may be.

(g) Subject to the terms and conditions of this Agreement and the Supplement, the Transferor may decrease the Class A Investor Principal Balance in whole or in part on any Business Day by giving the Agent prior written notice of such decrease no later than 3:00 p.m. (Chicago time) on (i) the Business Day immediately preceding the Business Day on which such decrease shall occur with respect to decreases of less than $25,000,000 and (ii) the second Business Day immediately preceding the Business Day on which such decrease shall occur with respect to decreases equal to or greater than $25,000,000.

2.4 REQUIREMENTS OF LAW. (a) In the event that any Class A Purchaser shall have reasonably determined that any Regulatory Change shall:

(i) subject such Class A Purchaser to any tax of any kind whatsoever with respect to this Agreement, its Commitment or its beneficial interest in the Class A Certificates, or change the basis of taxation of payments in respect thereof (except for Taxes covered by Section 2.5 and taxes included in the definition of Excluded Taxes in subsection 2.5(a) and changes in the rate of tax on the overall net income of such Class A Purchaser); or

(ii) impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, such Class A Purchaser;

and the result of any of the foregoing is to increase the cost to such Class A Purchaser, by an amount which such Class A Purchaser, in its reasonable judgment, deems to be material, of

maintaining its Commitment or its beneficial interest in the Class A Certificates or to reduce any amount receivable in respect thereof, THEN, in any such case, after submission by such Class A Purchaser to the Agent of a written request therefor and the submission by the Agent to the Transferor, the Trustee and the Servicer of such written request therefor, (subject to subsection 9.12(a) hereof) the Transferor shall pay to the Agent for the account of such Class A Purchaser any additional amounts necessary to compensate such Class A Purchaser for such increased cost or reduced amount receivable, together with interest on each such amount from the day which is ten Business Days after the date such request for compensation under this subsection 2.4(a) is received by

the Transferor until payment in full thereof (after as well as before judgment) at the Agent Base Rate in effect from time to time.

(b) In the event that any Class A Purchaser shall have reasonably determined that any Regulatory Change regarding capital adequacy has the effect of reducing the rate of return on such Class A Purchaser's capital or on the capital of any corporation controlling such Class A Purchaser as a consequence of its obligations hereunder or its maintenance of its Commitment or its beneficial interest in the Class A Certificates to a level below that which such Class A Purchaser or such corporation could have achieved but for such Regulatory Change (taking into consideration such Class A Purchaser's or such corporation's policies with respect to capital adequacy) by an amount reasonably deemed by such Class A Purchaser to be material, THEN, from time to time, after submission by such Class A Purchaser to the Agent of a written request therefor and submission by the Agent to the Transferor and the Servicer of such written request therefor, (subject to subsection 9.12(a) hereof) the Transferor shall pay to the Agent for the account of such Class A Purchaser such additional amount or amounts as will compensate such Class A Purchaser for such reduction, together with interest on each such amount from the day which is ten Business Days after the date such request for compensation under this subsection 2.4(b) is received by the Transferor until payment in full thereof (after as well as before judgment) at the Agent Base Rate in effect from time to time.

(c) Each Class A Purchaser agrees that it shall use its reasonable efforts to reduce or eliminate any claim for compensation pursuant to subsections 2.4(a) and 2.4(b), including but not limited to designating a different Investing Office for its Class A Certificates (or any interest therein) if such designation will avoid the need for, or reduce the amount of, any increased amounts referred to in subsection 2.4(a) or 2.4(b) and will not, in the reasonable opinion of such Class A Purchaser, be disadvantageous to such Class A Purchaser or inconsistent with its policies or result in an unreimbursed cost or expense to such Class A Purchaser or in an increase in the aggregate amount payable under both subsections 2.4(a) and 2.4(b). If any increased amounts referred to in subsection 2.4(a) or 2.4(b) shall not be eliminated or reduced by the designation of a different Investing Office and payment thereof hereunder shall not be waived by such Class A Purchaser, the Transferor shall have the right to replace such Class A Purchaser hereunder with a new purchaser reasonably acceptable to the Agent ("REPLACEMENT PURCHASER") that shall succeed to the rights of such Class A Purchaser under this Agreement and such Class A Purchaser shall assign its beneficial interest in the Class A Certificates to such Replacement Purchaser in accordance with the provisions of Section 8.1, PROVIDED, that (i) such Class A Purchaser shall not be replaced hereunder with a new investor until such Class A Purchaser has been paid in full its Percentage Interest of the Class A Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon by such new investor and all other amounts (including all

amounts owing under this Section 2.4) owed to it pursuant to this Agreement and (ii) if the Class A Purchaser to be replaced is the Agent or the Administrative Agent or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement; PROVIDED, FURTHER, that the Transferor shall provide such Class A Purchaser with an Officer's Certificate stating that such new investor is not subject to, or has agreed not to seek, such increased amount.

(d) Each Class A Purchaser claiming increased amounts described in subsection 2.4(a) or 2.4(b) will furnish to the Agent (together with its request for compensation) a certificate setting forth any actions taken by such Class A Purchaser to reduce or eliminate such increased amounts pursuant to subsection 2.4(c) and the basis and the calculation of the amount (in reasonable detail) of each request by such Class A Purchaser for any such increased amounts referred to in subsection 2.4(a) or 2.4(b), such certificate to be conclusive as to the factual information set forth therein absent manifest error.

2.5 TAXES. (a) All payments made to the Class A Purchasers or the Agent under this Agreement and the Pooling and Servicing Agreement (including all amounts payable with respect to the Class A Certificates) shall, to the extent allowed by law, be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (collectively, "TAXES"), excluding (i) income taxes (including, without limitation, branch profit taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on or measured by net income), franchise taxes (to the extent imposed in lieu of net income taxes), or any other taxes based on or measured by the net income of the Class A Purchaser, in each case imposed on the Class A Purchaser or the Agent as a result of a present or former connection between the Class A Purchaser or the Agent and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority therein or thereof (other than a connection that arises solely from the Class A Purchaser's or the Agent's receipt of a payment under or enforcement of its rights under this Agreement or the Pooling and Servicing Agreement, or the Agent's execution, delivery and performance of this Agreement or the Pooling and Servicing Agreement); (ii) any Taxes that would not have been imposed but for the failure of such Class A Purchaser or the Agent, as applicable, to comply with subsection 2.5(c) hereof; (iii) any Taxes imposed as a result of a change by any Class A Purchaser of the Investing Office (other than changes mandated by this Agreement, including subsection 2.4(c) hereof, or required by law); and (iv) any Taxes imposed as a result of the Transfer by any Class A Purchaser of its interest hereunder other than in accordance with Section 8.1 (all such excluded taxes being hereinafter called "EXCLUDED TAXES"). If any Taxes, other than Excluded Taxes, are required to be withheld from any amounts payable to a Class A Purchaser or the Agent hereunder or under the Pooling and Servicing Agreement, THEN: (i) the amounts payable to the Class A Purchaser or the Agent under this Agreement or the Pooling and Servicing Agreement shall be increased by the amount necessary so that after making all required withholdings (including withholdings applicable to additional amounts payable under this subsection 2.5(a)),

the Class A Purchaser or the Agent receives interest or any other amounts payable under this Agreement or the Pooling and Servicing Agreement at the rates or in the amounts specified in this Agreement and the Pooling and Servicing Agreement; (ii) the Servicer shall direct the Trustee to, and the Trustee shall, make such withholdings; and (iii) the Servicer shall direct the Trustee to, and the Trustee shall, pay the full amount withheld to the relevant taxing authority in accordance with applicable law. Whenever any Taxes are payable on or with respect to amounts distributed to a Class A Purchaser or the Agent, as promptly as possible thereafter the Servicer shall send to the Agent, on behalf of such Class A Purchaser (if applicable), a certified copy of an original official receipt showing payment thereof or if a certified copy cannot be obtained, other evidence of payment reasonably acceptable to the Class A Purchaser or the Agent. If the Trustee, upon the direction of the Servicer, fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent, on behalf of such Class A Purchaser (if applicable), the required receipts or other required documentary evidence, subject to subsection 9.12(a), the Transferor shall pay to the Agent on behalf of such Class A Purchaser or for its own account, as applicable, any incremental Taxes, interest or penalties that may become payable by such Class A Purchaser or the Agent, as applicable, as a result of any such failure. If any increased amounts payable under this subsection 2.5(a) shall not be waived by the applicable Class A Purchaser, the Transferor shall have the right to replace the Class A Purchaser hereunder with a Replacement Purchaser that will succeed to the rights of such Class A Purchaser under this Agreement; PROVIDED, that (i) such Class A Purchaser shall not be replaced hereunder with a new investor until such Class A Purchaser has been paid in full its Percentage Interest of the Class A Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon and all other amounts (including all amounts owing under this Section 2.5) owed to it pursuant to this Agreement and (ii) if the Class A Purchaser to be replaced is the Agent or Administrative Agent, or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced

shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement; PROVIDED, FURTHER, that the Transferor shall provide such Class A Purchaser with an Officer's Certificate stating that such new investor is not subject to such Taxes or that such new investor is subject to a lesser amount of Taxes than the Class A Purchaser.

(b) A Class A Purchaser claiming increased amounts under subsection 2.5(a) for Taxes paid or payable by such Class A Purchaser (or the Agent for its own account) will furnish to the Agent who will furnish to the Transferor and the Servicer a certificate, setting forth the basis and amount of each request by such Class A Purchaser for such Taxes, such certificate to be conclusive as to the factual information set forth therein absent manifest error. All such amounts shall be due and payable to the Agent on behalf of such Class A Purchaser or for its own account, as the case may be, on the succeeding Distribution Date following receipt by the Transferor or the Servicer of such certificate at least 10 days prior to such Distribution Date, in each case if then incurred by such Class A Purchaser and otherwise shall be due and payable on the following Distribution Date (or, if earlier, on the Series 2002-1 Termination Date).

(c) Each Class A Purchaser and each Participant holding an interest in Class A Certificates agrees that prior to the date on which the first interest payment hereunder is

due thereto, it will deliver to the Agent, the Servicer and the Trustee (i) if such Class A Purchaser or Participant is not organized under the laws of the United States or any State thereof, two duly completed copies of the U.S. Internal Revenue Service Form W-8ECI or successor applicable forms required to evidence that the Class A Purchaser's or Participant's income from this Agreement or the Class A Certificates is "effectively connected" with the conduct of a trade or business in the United States as the case may be or (ii) if such Class A Purchaser or Participant is organized under the laws of the United States or any State thereof and is not an "exempt recipient" as defined in Treasury Regulations section 1.6049-4(c), a U.S. Internal Revenue Service Form W-9 or successor applicable form required to evidence such Class A Purchaser's or Participant's entitlement to an exemption from United States backup withholding tax. Each Class A Purchaser or Participant holding an interest in Class A Certificates also agrees to deliver to the Agent, the Servicer and the Trustee two further copies of said Form W-8ECI or W-9, or such successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Agent, the Servicer and the Trustee, and such extensions or renewals thereof as may reasonably be requested by the Agent or the Servicer, unless in any such case, solely as a result of a change in treaty, law or regulation occurring prior to the date on which any such delivery would otherwise be required, and assuming that Section 1446 of the Code does not apply, the Class A Purchaser or the Participant is no longer eligible to deliver the then-applicable form set forth above. Each Class A Purchaser certifies, represents and warrants and each Participant acquiring an interest in a Class A Certificate or Class A Purchaser which is an Assignee shall certify, represent and warrant as a condition of acquiring its Participation or beneficial interest in the Class A Certificates (x) that its income from this Agreement or the Class A Certificates is effectively connected with a United States trade or business and (y) that it is entitled to an exemption from United States backup withholding tax. Further, each Class A Purchaser covenants and each Participant acquiring an interest in a Class A Certificate shall covenant that for so long as it shall hold such Participation or Class A Certificates it shall be held in such manner that the income therefrom shall be effectively connected with the conduct of a United States trade or business. The Agent, the Servicer and the Trustee shall be entitled to withhold or cause such withholding, and additional amounts in respect of Taxes need not be paid to a Class A Purchaser or Participant in the event of a breach of the certifications, representations, warranties or covenants set forth in this subsection 2.5(c) by such Class A Purchaser or Participant.

(d) In the event that any Class A Purchaser or Participant holding an interest in Class A Certificates shall breach the certifications, representations, warranties or covenants set forth in this Section 2.5, the Transferor shall have the right to replace such Class A Purchaser or such

Participant's lead Class A Purchaser hereunder with a Replacement Purchaser that shall succeed to the rights of such Class A Purchaser under this Agreement and, subject to compliance with the provisos to the last sentence of subsection 2.5(a), such Class A Purchaser shall assign its interest in this Agent and any Class A Certificates owned by it to such Replacement Purchaser in accordance with the provisions of Section 8.1.

2.6 NON-RECOURSE. (a) Except to the extent provided in this Section 2.6, the obligation to repay the Class A Repayment Amount shall be without recourse to the Transferor, the Servicer (or any Person acting on behalf of any of them), the Holder of the Exchangeable Transferor Certificate, the Trust (except to the extent specifically provided for

herein or in the Pooling and Servicing Agreement), the Trustee, the Certificateholders or any Affiliate of any of them, and shall be limited solely to amounts payable to the Series 2002-1 Certificateholders under the Pooling and Servicing Agreement. To the extent that such amounts are insufficient to pay the Class A Repayment Amount, the obligation to pay the Class A Repayment Amount shall not constitute a claim against the Transferor, the Servicer (or any Person acting on behalf of any of them), the Holder of the Exchangeable Transferor Certificate, the Trust (except to the extent specifically provided for herein or in the Pooling and Servicing Agreement), the Trustee, the Certificateholders or any Affiliate of any of them. Notwithstanding anything to the contrary contained herein, if the Transferor or the Servicer shall fail to make any payment, deposit or transfer relating to the Series 2002-1 Certificates required to be made pursuant to the Pooling and Servicing Agreement and, as a result of such failure, the amount available to be applied to the Class A Certificates pursuant to the Pooling and Servicing Agreement is reduced to an amount which is less than the amount which otherwise would have been available had such payment, deposit or transfer been made (the amount of any such reduction hereinafter referred to as a "REDUCTION AMOUNT"), the Transferor or the Servicer, as the case may be, shall repay the Class A Investor Principal Balance, together with interest due thereon in accordance with the Pooling and Servicing Agreement, to the extent of (i) such Reduction Amount and (ii) interest on the portion of the Class A Investor Charge-Offs, if any, which results from the existence of any Reduction Amount at the Agent Base Rate plus 2.00% per annum.

(b) Subject to and without limiting the foregoing provisions of this Section 2.6, the obligations of the Transferor and the Servicer under this Agreement shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement, irrespective of any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement, the Pooling and Servicing Agreement, the Series 2002-1 Certificates or the Supplement;

(ii) any amendment to or waiver of, or consent to or departure from, this Agreement, the Series 2002-1 Certificates, the Pooling and Servicing Agreement or the Supplement, unless agreed to by the Required Class A Owners and the Required Class A Purchasers or all the Class A Owners and the Required Class A Purchasers if required hereunder;

(iii) the existence of any claim, setoff, defense or other right which the Transferor, the Servicer or the Trustee may have at any time against each other, the Agent, the Administrative Agent or any Class A Purchaser, as the case may be, or any other Person, whether in connection with this Agreement, the Class A Certificates, the Pooling and Servicing Agreement or any unrelated transactions;

(iv) the bankruptcy or insolvency of the Trust or with respect to any party jointly and severally liable with another party hereto, of such other party; or

(v) any other circumstances or happening whatsoever,

whether or not similar to any of the foregoing; PROVIDED, that, with respect to obligations owing to any Class A Purchaser, the same shall not have constituted gross negligence or willful misconduct of such Class A Purchaser.

2.7 INDEMNIFICATION. (a) Subject to subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, agree to indemnify and hold harmless the Agent, the Administrative Agent and each Class A Purchaser and any directors, officers, employees, attorneys, auditors or accountants of such Agent, the Administrative Agent or Class A Purchaser (each such person being referred to as an "INDEMNITEE") from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which such Indemnitee may incur (or which may be claimed against such Indemnitee) by reason of or in connection with the execution and delivery of, or payment under, this Agreement, the Pooling and Servicing Agreement, the Series 2002-1 Certificates, except (i) to the extent that any such claim, damage, loss, liability, cost or expense shall be caused by the willful misconduct or gross negligence of such Indemnitee, (ii) to the extent that any such claim, damage, loss, liability, cost or expense relates to any Excluded Taxes, (iii) to the extent that any such claim, damage, loss, liability, cost or expense relates to disclosure made by the Agent or a Class A Purchaser in connection with an Assignment or Participation pursuant to Section 8.1 of this Agreement which disclosure is not based on information given to the Agent by or on behalf of the Transferor, the Servicer or the Trustee or (iv) to the extent that such claim, damage, loss, liability, cost or expense includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy, or lack of creditworthiness of the related Obligor. The foregoing indemnity shall include any claims, damages, losses, liabilities, costs or expenses to which any such Indemnitee may become subject under the Securities Act of 1933, as amended (the "ACT"), the Securities Exchange Act of 1934, as amended, the Investment Company Act of 1940, as amended, or other federal or state law or regulation arising out of or based upon any untrue statement or alleged untrue statement of a material fact in any disclosure document relating to the Class A Certificates or the Class B Certificates, or any amendments thereof or supplements thereto or arising out of, or based upon, the omission or the alleged omission to state a material fact necessary to make the statements therein or any amendment thereof or supplement thereto, in light of the circumstances in which they were made, not misleading.

(b) Promptly after the receipt by an Indemnitee of a notice of the commencement of any action against an Indemnitee, such Indemnitee will notify the Agent and the Agent will, if a claim in respect thereof is to be made against the Transferor pursuant to subsection 2.7(a) (the "INDEMNIFYING PARTY"), notify the Indemnifying Party in writing of the commencement thereof; but the omission so to notify such party will not relieve such party from any liability which it may have to such Indemnitee pursuant to subsection 2.7(a). Upon receipt of such notice, the Indemnifying Party shall assume the defense of such action or proceeding, including the employment of counsel satisfactory to the Indemnitee in its reasonable judgment and the payment of all related expenses. Each Indemnitee shall have the right to employ separate counsel in any such action or proceeding and to participate in (but not control) the defense thereof, but the fees and expenses of such counsel shall be at its own expense unless (a) the Indemnifying Party shall have failed to assume or continue to defend such action or proceeding, (b) the named parties to any such action or proceeding (including any impleaded

parties) include both such Indemnitee and either the Transferor or another person or entity that may be entitled to indemnification from the Transferor (by virtue of this Agreement or otherwise) and such Indemnitee shall have been advised by counsel that there may be one or more legal defenses available to such Indemnitee which are different from or additional to those available to the Transferor or such other party or shall otherwise have reasonably determined that the co-representation would present such counsel with a conflict of interest, or (c) the Indemnifying Party and the Indemnitee shall have mutually agreed to the retention of separate counsel. Anything contained in this Agreement to the contrary notwithstanding, the Transferor shall not be entitled to assume the defense of any part of a Third Party Claim that specifically seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee.

2.8 TERMINATION EVENTS. In the event that any one or more of the following (each, a "TERMINATION EVENT") shall have occurred:

(a) the failure of the Transferor, the Servicer or the Trustee to make a deposit, payment or withdrawal required hereunder or under any Related Document (determined without regard to the failure of the Servicer to deliver any statement or certificate required hereunder or under the Supplement in order for such deposit, payment or withdrawal to be made) when and as required and such failure continues for five Business Days; PROVIDED that the failure of the Transferor to make additional payments pursuant to subsection 2.4(a) or 2.4(b) or Section 2.5 hereof shall not constitute a Termination Event unless such failure continues after the last Business Day of the Monthly Period which follows the Monthly Period in which the Transferor received a request for such payment pursuant to such subsection;

(b) any representation or warranty made herein, in any Related Document or in connection with this Agreement by the Transferor, the Servicer or the Trustee shall prove to have been incorrect in any material respect when made, and continues to be incorrect in any material respect for a period of sixty (60) days after receipt of written notice thereof, requiring the same to be remedied, by the Transferors and the Servicer from the Agent and as a result the interests of the Class A Purchasers or any other them are and continue to be materially and adversely affected;

(c) the failure by the Transferor or the Servicer or, if such failure is reasonably expected to have a material adverse effect on the Class A Investors, by the Trustee, to duly observe or perform any term or provision of this Agreement or in any Related Document (except as described in clause (a) above) which is not cured within 60 days after written notice of such failure is given to the defaulting party by the Agent;

(d) the occurrence (whether occurring before or after the commencement of an Amortization Period) of a Trust Pay Out Event, a Series 2002-1 Pay Out Event or a Servicer Default, or the occurrence of an event or condition which would be a Trust Pay Out Event, a Series 2002-1 Pay Out Event or a Servicer Default but for a waiver of or failure to declare or determine such event by the Certificateholders or the Trustee; or

(e) the Commitment Expiration Date;

THEN, in the event of a Termination Event described in any of clauses (a) through (d) above, in addition to any other rights or remedies of the Class A Purchasers hereunder or under any Related Documents, (A) the Administrative Agent, at the direction of the Required Class A Owners and of the Required Class A Purchasers (and without regard to whether a similar direction shall have been given pursuant to the Class B Certificate Purchase Agreement) in their discretion, shall deliver a Reserve Account Increase Notice to the Servicer as contemplated by the Supplement, and/or (B) the Administrative Agent, at the direction of the Required Class A Owners and of the Required Class A Purchasers (and without regard to whether a similar direction shall have been given pursuant to the Class B Certificate Purchase Agreement) in their discretion, shall deliver a notice to the Trustee and the Servicer that such Termination Event has occurred and directing that such Termination Event constitute a Series 2002-1 Pay Out Event under subsection 10(g) of the Supplement. In the event that a Termination Event described in clause (e) above shall have occurred, the Agent shall give notice thereof to the Administrative Agent, which shall, without further direction, deliver prompt notice to the Trustee and the Servicer that such Termination Event has occurred and directing that such Termination Event constitute a Series 2002-1 Pay Out Event under subsection 10(g) of the Supplement.

SECTION 3. CONDITIONS PRECEDENT

3.1 CONDITION TO INITIAL PURCHASE. As a condition precedent to the initial purchase by any Class A Purchasers of the Class A Certificates, (i) the Agent on behalf of the Class A Purchasers shall have received on the Closing

Date the following items, each of which shall be in form and substance satisfactory to the Agent:

(a) the favorable written opinion of counsel for each of Prime II Receivables Corporation and FDSB addressed to the Agent and the Class A Purchasers and dated the Closing Date, covering general corporate matters and the due execution and delivery of, and the enforceability of, each of the Related Documents to which it is party and such other matters as the Agent may request;

(b) a copy of (i) the corporate charter of each of Prime II Receivables Corporation and FDSB, certified by the Secretary of State or other governmental authority of its jurisdiction of incorporation on or within thirty days of the Closing Date, and (ii) by-laws of, and an incumbency certificate with respect to its officers executing any of the Related Documents on the Closing Date on behalf of, each of Prime II Receivables Corporation and FDSB, certified by an authorized officer of each such entity, (iii) good standing certificates from the appropriate Governmental Authority as of a recent date with respect to each of Prime II Receivables Corporation and FDSB and (iv) resolutions of the Board of Director (or an authorized committee thereof) of each of Prime II Receivables Corporation and FDSB with respect to the Related Documents to which it is party, certified by an authorized officer of each such entity;

(c) the representations and warranties of the Transferor set forth or referred to in Section 4.1 hereof and the representations and warranties of FDSB set forth or referred to in Section 4.2 hereof shall be true and correct in all material respects on

Closing Date as though made on and as of the Closing Date, and the Agent shall have received an Officer's Certificate of the Transferor and of FDSB, respectively, confirming the satisfaction of the condition set forth in this clause (c);

(d) customary sale/security interest, tax, bankruptcy and non-consolidation opinions, addressed to the Agent and the Class A Purchasers;

(e) a certificate of an authorized officer of FDSB with respect to the accuracy of data previously furnished to the Agent with respect to the Receivables in the Trust, in form and scope satisfactory to the Agent;

(f) an executed copy of this Agreement, the Pooling and Servicing Agreement, the Class A Fee Letter, the Receivables Purchase Agreement and the Supplement;

(g) evidence satisfactory to the Agent that the Class B Certificates having a Class B Initial Invested Amount at least equal to the Required Class B Invested Amount and the Class C Certificates having a Class C Initial Invested Amount at least equal to the Required Class C Invested Amount shall have been duly issued;

(h) evidence satisfactory to the Agent that the initial deposit (if any) in the Reserve Account required by Section 4.9(a) of the Pooling and Servicing Agreement shall have been made;

(i) evidence satisfactory to the Agent of the due execution and delivery of the Related Documents to which it is party by the Trustee;

(j) state and federal tax lien, judgment lien and Uniform Commercial Code lien searches against FDSB and the Transferor from Delaware, Ohio and any relevant local jurisdictions;

(k) time stamped receipt copies of proper financing statements and continuation statements, duly filed under the Uniform Commercial Code in all jurisdictions as may be necessary or desirable in order to perfect the ownership interests contemplated by the Pooling and Servicing Agreement; and

(l) all up front fees and expenses agreed and specified in the Class A Fee Letter shall have been paid by the Transferor on the Closing Date.

(ii) all representations and warranties of the Transferor and the Servicer contained herein shall be true and correct in all material respects on the Closing Date (and after giving effect to the transactions contemplated hereby) and no event which of itself or with the giving of notice or lapse of time, or both, would permit the furnishing of a Reserve Account Increase Notice has occurred and is continuing and the Agent shall have received an Officer's Certificate of each of the Transferor and the Servicer to such effect.

3.2 CONDITION TO ADDITIONAL PURCHASES. The following shall be conditions precedent to each purchase by any Class A Purchasers of VFC Additional Class A Invested Amounts hereunder:

(a) the Transferor shall have timely delivered a notice of purchase pursuant to subsection 2.1(c) of this Agreement;

(b) no Termination Event shall have occurred;

(c) after giving effect to such purchase of VFC Additional Class A Invested Amount, the aggregate Class A Investor Principal Balance shall not exceed the aggregate Commitments of the Committed Class A Purchasers minus the aggregate Commitments of all Defaulting Purchasers;

(d) the Servicer shall have delivered to the Agent on or prior to the date of such purchase, the most recent monthly statement required to be delivered under Section 5.2 of the Pooling and Servicing Agreement; PROVIDED, HOWEVER, that if the Servicer has failed to deliver such monthly statement on the relevant Determination Date, until such failure constitutes a Pay Out Event the Servicer may deliver on the date of such purchase the Daily Report delivered to the Trustee under subsection 3.4(b) of the Pooling and Servicing Agreement for the Business Day immediately preceding the date of such purchase in lieu of such monthly statement;

(e) the conditions set forth in Section 6.15 of the Pooling and Servicing Agreement to the issuance of such VFC Additional Class A Invested Amount shall have been satisfied; and

(f) the representations and warranties of the Transferor contained in Section 4.1 and of FDSB contained in Section 4.2 shall be true and correct in all material respects on and as of the applicable Purchase Date, as though made on and as of such date, other than the representations and warranties of FDSB contained in the last sentence of subsection 4.2(f) or in subsection 4.2(h), which shall have been true and correct in all material respects when made and as of the Closing Date, and other than the representations and warranties of the Transferor and of FDSB set forth in subsection 4.1(l) and subsection 4.2(g), respectively, which shall have been true and correct on all material respects on or as of the respective dates specified therein.

SECTION 4. REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS AND WARRANTIES OF THE TRANSFEROR. The Transferor repeats and reaffirms to the Class A Purchasers and the Agent the representations and warranties of the Transferor set forth in Sections 2.3 and 2.4 of the Pooling and Servicing Agreement and represents and warrants that such representations and warranties are true and correct as of the date hereof. The Transferor further represents and warrants to, and agrees with, the Agent and each Class A Purchaser that, as of the date hereof:

(a) The Transferor has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Delaware, with

corporate power and authority to own its properties and to transact the business in which it is now engaged, and the Transferor is duly qualified to do business, is in good standing and holds all governmental licenses, authorizations, consents and approvals in each State of the United States where the nature of its business requires it to be so qualified.

(b) The Transferor has the full corporate power, authority and legal right to make, execute, deliver and perform the Related Documents to which it is party and all of the transactions contemplated thereby and to issue the Series 2002-1 Certificates from the Trust and has taken all necessary corporate action to authorize the execution, delivery and performance of the Related Documents to which it is party and such issuance. This Agreement and each other Related Document to which the Transferor is a party has been duly executed and delivered by the Transferor. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of the Transferor enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and except as such enforceability may be limited by general principles of equity, whether considered in a proceeding at law or in equity).

(c) The Transferor is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or registration with, notice to or other action by any Governmental Authority in connection with the execution, delivery or performance of each of the Related Documents to which it is party that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) The execution, delivery and performance of the Related Documents to which it is party by the Transferor do not violate or conflict with any provision of any existing law or regulation applicable to the Transferor or any order or decree of any court to which the Transferor is subject or the Certificate of Incorporation or Bylaws of the Transferor, or any mortgage, security agreement, indenture, contract or other agreement to which the Transferor is a party or by which the Transferor or any significant portion of its properties is bound.

(e) There is no litigation, investigation or administrative proceeding before any court, tribunal, regulatory body or governmental body presently pending, or, to the knowledge of the Transferor, threatened, with respect to any of the Related Documents, the transactions contemplated thereby, or the issuance of the Series 2002-1 Certificates and there is no such litigation or proceeding against the Transferor or any significant portion of its properties which would, individually or in the aggregate, have a material adverse effect on the transactions contemplated by any of the Related Documents or the ability of the Transferor to perform its obligations thereunder.

(f) The Transferor is not insolvent or the subject of any voluntary or involuntary bankruptcy proceedings.

(g) No Pay Out Event, Servicer Default, Termination Event or event permitting the furnishing of a Reserve Account Increase Notice has occurred and is

continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute such an event or default.

(h) The Pooling and Servicing Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended, and neither the Trust nor the Transferor is required to be registered under the Investment Company Act of 1940, as amended.

(i) The Receivables conveyed by the Transferor to the Trust under the Pooling and Servicing Agreement are in an aggregate amount, determined as of November 4, 2002, of $650,844,748.52. The Receivables Purchase

Agreement is in full force and effect on the date hereof and no material default by any party exists thereunder.

(j) The Trust is duly created and existing under the laws of the State of New York. Simultaneous with the closing hereunder, all conditions to the issuance and sale of the Series 2002-1 Certificates set forth in the Pooling and Servicing Agreement have been satisfied and the Series 2002-1 Certificates have been duly issued by the Trust.

(k) Neither the Transferor nor any of its Affiliates has directly, or through any agent, (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Act) that is or will be integrated with the sale of the any Series 2002-1 Certificates in a manner that would require the registration under the Act of the offering of the Series 2002-1 Certificates or (ii) engaged in any form of general solicitation or general advertising in connection with the offering of the Series 2002-1 Certificates (as those terms are used in Regulation D under the Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Act. Assuming the accuracy of the representations and warranties of each Class A Purchaser in its Investment Letter and of each purchaser of Class B Certificates and Class C Certificate in their respective investment letters, the offer and sale of the Series 2002-1 Certificates are transactions which are exempt from the registration requirements of the Act.

(l) All written factual information heretofore furnished by the Transferor or any of its Affiliates to, or for delivery to, the Agent for purposes of or in connection with this Agreement, each other Related Document or any transaction contemplated hereby or thereby, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSB's credit card businesses, was true and correct in all material respects on the date as of which such information was stated or certified and remains true and correct in all material respects (unless such information specifically relates to an earlier date in which case such information shall have been true and correct in all material respects on such earlier date).

4.2 REPRESENTATIONS AND WARRANTIES OF FDSB. FDSB repeats and reaffirms to the Class A Purchasers and the Agent the representations and warranties of the Servicer set forth in Section 3.3 of the Pooling and Servicing Agreement and represents and warrants that such representations and warranties are true and correct as of the date hereof. FDSB further represents and warrants to, and agrees with, the Agent and each Class A Purchaser that, as of the date hereof:

(a) FDSB has been duly organized and is validly existing and in good standing as a federal thrift institution under the laws of the United States of America, with corporate power and authority to own its properties and to transact the business in which it is now engaged, and FDSB is duly qualified to do business (or is exempt from such qualification), is in good standing and holds all governmental licenses, authorizations, consents and approvals in each State of the United States where the nature of its business requires it to be so qualified. FDSB is an insured depository institution under Section 4(a) of the Federal Deposit Insurance Act.

(b) FDSB has the full corporate power, authority and legal right to make, execute, deliver and perform the Related Documents to which it is party and all the transactions contemplated thereby and has taken all necessary corporate action to authorize the execution, delivery and performance of the Related Documents to which it is party. This Agreement and each other Related Document to which FDSB is a party has been duly executed and delivered by FDSB. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of FDSB enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and the rights of creditors of national banking associations and except as such enforceability may be limited by general principles of equity, whether considered in a proceeding at law or in equity).

(c) FDSB is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or

registration with, notice to or other action by any Governmental Authority in connection with the execution, delivery or performance of each of the Related Documents to which it is party that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date.

(d) The execution, delivery and performance of each of the Related Documents to which it is party by FDSB do not violate or conflict with any provision of any existing law or regulation applicable to FDSB or any order or decree of any court to which FDSB is subject or the Articles of Association or Bylaws of FDSB, or any mortgage, security agreement, indenture, contract or other agreement to which FDSB is a party or by which FDSB or any significant portion of FDSB's properties is bound.

(e) There is no litigation, investigation or administrative proceeding before any court, tribunal, regulatory body or governmental body presently pending, or, to the knowledge of FDSB, threatened, with respect to the Related Documents, the transactions contemplated thereby, or the issuance of the Series 2002-1 Certificates, and there is no such litigation or proceeding against FDSB or any significant portion of its properties which would, individually or in the aggregate, have a material adverse effect on the transactions contemplated by any of the Related Documents or the ability of FDSB, in its capacity as Servicer or otherwise, to perform its obligations thereunder.

(f) FDSB is not insolvent or the subject of any insolvency or liquidation proceeding. The financial statements of FDSB delivered to the Agent are complete and correct in all material respects and fairly present the financial condition of FDSB as of date of such statements and the results of operations of FDSB for the period then ended, all in

accordance with regulatory accounting principles consistently applied. Since the date of the most recent audited financial statements of FDSB delivered to the Agent, there has not been any material adverse change in the condition (financial or otherwise) of FDSB.

(g) All written factual information heretofore furnished by FDSB or any of its Affiliates to, or for delivery to, the Agent for purposes of or in connection with this Agreement, each other Related Document or any transaction contemplated hereby or thereby including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSB's VISA(R) credit card businesses, was true and correct in all material respects on the date as of which such information was stated or certified and remains true and correct in all material respects (unless such information specifically relates to an earlier date in which case such information shall have been true and correct in all material respects on such earlier date).

(h) There are no outstanding comments from the most recent report prepared by FDSB's (in its capacity as Servicer) independent public accountants in connection with its VISA(R) credit card receivables.

(i) No Pay Out Event, Servicer Default, Termination Event or event permitting the furnishing of a Reserve Account Increase Notice has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute such an event or default.

4.3 REPRESENTATIONS AND WARRANTIES OF THE AGENT AND THE COMMITTED CLASS A PURCHASERS. Each of the Agent and the Committed Class A Purchasers represents and warrants to, and agrees with, the Transferor and the Servicer, that:

(a) It is duly authorized to enter into and perform this Agreement and to purchase its Commitment Percentage (if any) of the Class A Certificates, and has duly executed and delivered this Agreement; and the person signing this Agreement on behalf of such Committed Class A Purchaser has been duly authorized by such Committed Class A Purchaser to do so.

(b) This Agreement constitutes the legal, valid and binding obligation of such Committed Class A Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by

applicable bankruptcy, insolvency, reorganization, moratorium, conservatorship or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general, and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(c) No registration with or consent or approval of or other action by any state or local governmental authority or regulatory body having jurisdiction over such Committed Class A Purchaser is required in connection with the execution, delivery or performance by such Committed Class A Purchaser of this Agreement other than as may be required under the blue sky laws of any state.

SECTION 5. COVENANTS

5.1 COVENANTS OF THE TRANSFEROR AND FDSB. Each of the Transferor and FDSB (individually or, as set forth below, as the Servicer) covenants and agrees, so long as any amount of the Class A Investor Principal Balance shall remain outstanding or any monetary obligation arising hereunder shall remain unpaid, unless the Required Class A Owners and the Required Class A Purchasers shall otherwise consent in writing, that:

(a) each of the Transferor and the Servicer shall perform in all material respects each of the respective agreements, warranties and indemnities applicable to it and comply in all material respects with each of the respective terms and provisions applicable to it hereunder and under the other Related Documents to which it is party, which agreements are hereby incorporated by reference into this Agreement as if set forth herein in full; and each of the Transferor and the Servicer shall take all reasonable action to enforce the obligations of each of the other parties to such Related Documents which are contained therein;

(b) the Transferor and the Servicer shall furnish to the Agent (i) a copy of each opinion, certificate, report, statement, notice or other communication (other than investment instructions) relating to the Series 2002-1 Certificates which is furnished by or on behalf of either of them to Certificateholders, to any Rating Agency or to the Trustee and furnish to the Agent after receipt thereof, a copy of each notice, demand or other communication relating to the Series 2002-1 Certificates, this Agreement or the Pooling and Servicing Agreement received by the Transferor or the Servicer from the Trustee, any Rating Agency or 15% or more of the Series 2002-1 Certificateholders (to the extent such notice, demand or communication relates to the Accounts, the Receivables, any Servicer Default or any Pay Out Event); and (ii) such other information, documents records or reports respecting the Trust, the Receivables, the Transferor, FDSB or the Servicer as the Agent may from time to time reasonably request without unreasonable expense to the Transferor or the Servicer;

(c) the Servicer shall furnish to the Agent on or before the date such reports are due under the Pooling and Servicing Agreement copies of each of the reports and certificates required by subsection 3.4(b) and Sections 3.5 and 3.6 of the Pooling and Servicing Agreement;

(d) the Servicer shall promptly furnish to the Agent a copy, addressed to the Agent, of each opinion of counsel delivered to the Trustee pursuant to Section 13.2(d) of the Pooling and Servicing Agreement;

(e) FDSB shall furnish to the Agent (i) a copy of its annual Call Report promptly after it becomes available, (ii) an annual certificate dated within 90 days after the end each of its fiscal years stating its compliance (or failure to comply) with each minimum ratio of total capital and core capital to risk-weighted assets required by Governmental Authorities in accordance with the implementation of the Basle Accord;

(f) the Servicer shall furnish to the Agent a certificate concurrently with its delivery of its annual certificate pursuant to Section 3.5 of the Pooling and Servicing Agreement stating that no Termination Event (other than a Termination Event described in clause (e) of subsection 2.8) or event or condition which with the passage of time or

the giving of notice, or both, would constitute such a Termination Event or, if such Termination Event, event or condition has occurred, identifying the same in reasonable detail;

(g) Each of the Servicer and the Transferor will not change its name, identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the Uniform Commercial Code) or relocate its chief executive office or any office where records are kept unless it shall have: (i) given the Agent at least thirty (30) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation;

(h) the Transferor shall not exercise its right to accept optional reassignment of the Receivables or repurchase the Series 2002-1 Certificates pursuant to Sections 10.2 or 12.2 of the Pooling and Servicing Agreement or Section 3 of the Supplement, unless the Class A Purchasers have been paid, or will be paid upon such repurchase or in connection with such optional reassignment, the Class A Investor Principal Balance, all interest thereon and all other amounts owing hereunder in full;

(i) the Transferor and the Servicer shall at any time from time to time during regular business hours, on reasonable notice to the Transferor or the Servicer, as the case may be, permit the Agent, or its agents or representatives to:

(i) examine all books, records and documents (including computer tapes and disks) in its possession or under its control relating to the Receivables, and

(ii) visit its offices and property for the purpose of examining such materials described in clause (i) above.

The information obtained by the Agent or any Class A Purchaser pursuant to this subsection shall be held in confidence in accordance with Section 6.2 hereof;

(j) the Servicer shall furnish to the Agent, promptly after the occurrence of any Servicer Default, Termination Event, Pay Out Event or any event which would permit the furnishing of a Reserve Account Increase Notice, a certificate of an appropriate officer of the Servicer setting forth the circumstances of such Servicer Default, Pay Out Event, Termination Event or event and any action taken or proposed to be taken by the Servicer or the Transferor with respect thereto;

(k) the Transferor and the Servicer shall timely make all payments, deposits or transfers and give all instructions to transfer required by this Agreement and the Pooling and Servicing Agreement;

(l) the Transferor shall not terminate (except in accordance with the terms thereof), amend, waive or otherwise modify the Pooling and Servicing Agreement or the Supplement unless (i) such amendment, waiver or modification shall not, as evidenced by an Officer's Certificate of the Transferor delivered to the Agent, adversely affect in any material respect the interests of the Agent or the Class A Purchasers under this Agreement or the Pooling and Servicing Agreement, and will not result in a reduction or withdrawal of the then current

rating by any Rating Agency of any commercial paper notes issued by any Structured Purchaser; (ii) all of the provisions of Section 13.1 of the Pooling and Servicing Agreement have been complied with and (iii) in the case of any amendment of the Supplement, any amendment to be effected pursuant to subsection 13.1(b) of the Pooling and Servicing Agreement or any amendment to the interest rate to be borne by the Class B Certificates or the Class C Certificates, the prior written consent thereto shall have been provided by the Required Class A Owners and the Required Class A Purchasers;

(m) the Transferor and the Servicer shall execute and

deliver to the Agent all such documents and instruments and do all such other acts and things as may be necessary or reasonably required by the Agent or the Trustee to enable the Trustee or the Agent to exercise and enforce their respective rights under this Agreement and the Pooling and Servicing Agreement and to realize thereon, and record and file and rerecord and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Trustee or the Agent to validate, preserve, perfect and protect the position of the Trustee under the Pooling and Servicing Agreement;

(n) without the prior written consent of the Required Class A Owners and the Required Class A Purchasers, the Transferor will not appoint (or cause to be appointed) a successor Trustee;

(o) neither the Transferor nor the Servicer will consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, except (i) in accordance with Section 7.2 or 8.2 of the Pooling and Servicing Agreement, with respect to the Transferor or the Servicer, respectively, and (ii) so long as (A) the obligations of the Transferor or the Servicer, as the case may be, under this Agreement and any other document executed and delivered in connection herewith shall be expressly assumed in writing by the transferee, purchaser or successor corporation, (B) the Transferor or the Servicer, as the case may be, has delivered to the Agent an Officer's Certificate of the Transferor or the Servicer and an Opinion of Counsel addressed to the Agent and each Class A Purchaser meeting the requirements of subsection 7.2(a)(ii) or 8.2(ii) of the Pooling and Servicing Agreement, as appropriate, as provided in such agreement, (C) the Transferor or the Servicer, as the case may be, has delivered to the Agent a copy of the notice to the Rating Agencies delivered pursuant to subsection 7.2(a)(iii) or 8.2(iii) of the Pooling and Servicing Agreement, and (D) such consolidation, merger or transfer, in the reasonable judgment of the Transferor and the Servicer, will not have a material adverse effect on the interests of the Class A Purchasers hereunder or under the Pooling and Servicing Agreement;

(p) the Transferor shall not reduce or withdraw any Discount Percentage then in effect unless such reduction or withdrawal (i) would not in the reasonable belief of the Transferor cause a Pay Out Event with respect to the Series 2002-1 Certificates or an event which, with notice or lapse of time or both, would constitute such a Pay Out Event to occur or (ii) is consented to by the Required Class A Owners and the Required Class A Purchasers;

(q) the Transferor and FDSB will not make any material amendment, modification or change to, or provide any waiver under, the Receivables Purchase

Agreement without the prior written consent of the Required Class A Owners and the Required Class A Purchasers;

(r) the Transferor will not incur, permit or suffer to exist any lien, charge or other adverse claim on the Minimum Transferor Amount in the Trust;

(s) the Transferor will not engage in any business other than the transactions contemplated by this Agreement and the Related Documents;

(t) the Transferor will not (i) incur any liabilities or indebtedness, other than pursuant to this Agreement and the Related Documents or reasonably related thereto, (ii) incur or permit or suffer to exist any lien, charge or encumbrance on any of its properties or assets, other than as provided for in the Pooling and Servicing Agreement, (iii) make any investments other than in Cash Equivalents or (iv) make any capital expenditures other than those reasonably required for its performance of its obligations hereunder and under the Related Documents; and

(u) the Transferor will not amend, modify or otherwise make any change to its Certificate of Incorporation if such amendment, modification or other change would have a material adverse effect on the interests of the Class A Purchasers, would affect any provisions thereof

relating to the commencement of a voluntary bankruptcy proceeding or which is inconsistent with the assumptions set forth in the legal opinion of Jones, Day, Reavis & Pogue, counsel to FDSB and the Transferor, issued in connection with this Agreement and the transactions contemplated hereby and relating to the issues of substantive consolidation.

(v) The Transferor shall, without limiting the requirements of Section 5.1(m) hereof and Section 2.1 of the Pooling and Servicing Agreement, at its expense, preserve, continue, and maintain or cause to be preserved, continued, and maintained the Trust's valid and properly protected security interest in each Receivable transferred under the Pooling and Servicing Agreement, including, without limitation, filing or recording Uniform Commercial Code financing statements and continuation statements in each relevant jurisdiction.

SECTION 6. MUTUAL COVENANTS REGARDING CONFIDENTIALITY

6.1 COVENANTS OF TRANSFEROR, ETC. The Transferor and the Servicer shall hold in confidence, and not disclose to any Person, the terms of any fees payable in connection with this Agreement except they may disclose such information (i) to their officers, directors, employees, agents, counsel, accountants, auditors, advisors or representatives, (ii) with the consent of the Required Class A Purchasers and Agent, or (iii) to the extent the Transferor or the Servicer or any Affiliate of either of them should be required by any law or regulation applicable to it or requested by any Governmental Authority to disclose such information; PROVIDED, that, in the case of clause (iii), the Transferor or the Servicer, as the case may be, will use all reasonable efforts to maintain confidentiality and will (unless otherwise prohibited by law) notify the Agent of its intention to make any such disclosure prior to making such disclosure.

6.2 COVENANTS OF CLASS A PURCHASERS. The Agent and each Class A Purchaser covenants and agrees that any information obtained by the Agent or such Class A

Purchaser pursuant to this Agreement shall be held in confidence (it being understood that documents provided to the Agent hereunder may in all cases be distributed by the Agent to the Class A Purchasers) except that the Agent or such Class A Purchaser may disclose such information (i) to its officers, directors, employees, agents, counsel, accountants, auditors, advisors or representatives, (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Agent or such Class A Purchaser, (iii) to the extent such information was available to the Agent or such Class A Purchaser on a nonconfidential basis prior to its disclosure to the Agent or such Class A Purchaser hereunder, (iv) with the consent of the Transferor, (v) to the extent permitted by Section 8.1, (vi) to the extent the Agent or such Class A Purchaser should be (A) required in connection with any legal or regulatory proceeding or (B) requested by any Governmental Authority to disclose such information or (vii) in the case of any Class A Purchaser that is a Structured Lender, to rating agencies, placement agents and providers of liquidity and credit support who agree to hold such information in confidence; PROVIDED, that, in the case of clause (vi) above, the Agent or such Class A Purchaser, as applicable, will use all reasonable efforts to maintain confidentiality and, in the case of clause (vi)(A) above, will (unless otherwise prohibited by law) notify the Transferor of its intention to make any such disclosure prior to making any such disclosure. The parties hereto acknowledge that, notwithstanding the provisions set forth in this Section 6.2, any Structured Purchaser (and any liquidity provider to any Structured Purchaser which would be a prospective assignee) will not be obligated to obtain any consent hereunder, and no provision of this Section 6.2 or of any other agreement executed or delivered in connection herewith or any confidentiality agreement signed by any person or entity will restrict the delivery of information received in connection herewith or with any agreement executed or delivered in connection herewith (or the disclosure of any terms or conditions contained in any such agreement) to any rating agency, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to such Structured Purchaser or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One, NA acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of the foregoing who need to know such information in

connection herewith or any agreement executed or delivered in connection herewith, any liquidity arrangements in connection therewith, the transactions consummated in connection therewith, any transfer by such Structured Purchaser or the transfer of any of such Structured Purchaser's rights or interests thereunder.

SECTION 7. THE AGENTS

7.1 APPOINTMENT. (a) Each Class A Purchaser hereby irrevocably designates and appoints the Agent as the agent of such Class A Purchaser under this Agreement, and each such Class A Purchaser irrevocably authorizes the Agent, as the agent for such Class A Purchaser, to take such action on its behalf under the provisions of the Related Documents and to exercise such powers and perform such duties thereunder as are expressly delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Class A Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent. In performing its functions and duties hereunder and under the other Related Documents, the Agent shall act solely as agent for the Class A Purchasers and does not

assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for either of the Transferor or FDSB or any of the Transferor's or FDSB's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any other Related Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all amounts payable hereunder and under each Related Document. Each Class A Purchaser hereby authorizes the Agent to execute and deliver each of the Uniform Commercial Code financing statements on behalf of such Class A Purchaser (the terms of which shall be binding on such Class A Purchaser).

(b) Each Class A Purchaser hereby irrevocably designates and appoints the Administrative Agent as the agent of such Class A Purchaser under the Pooling and Servicing Agreement, and each such Class A Purchaser irrevocably authorizes the Administrative Agent, as the agent for such Class A Purchaser, to take such action on its behalf under the provisions of the Pooling and Servicing Agreement and to exercise such powers thereunder as are expressly granted to the Administrative Agent by the terms of the Pooling and Servicing Agreement, subject to the terms and conditions of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the Pooling and Servicing Agreement, or any fiduciary relationship with any Class A Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. In performing its functions and duties hereunder and under the other Related Documents, the Administrative Agent shall act solely as agent for the Class A Purchasers and the Class B Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for either of the Transferor or FDSB or any of the Transferor's or FDSB's successors or assigns. The Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement, any other Related Document or applicable law. The appointment and authority of the Administrative Agent hereunder shall terminate upon the indefeasible payment in full of all amounts payable hereunder and under each Related Document. Each Class A Purchaser and each Class B Purchaser hereby authorizes the Administrative Agent to execute and deliver each of the Uniform Commercial Code financing statements on behalf of such Class A Purchaser and Class B Purchaser (the terms of which shall be binding on such Class A Purchaser and Class B Purchaser).

7.2 DELEGATION OF DUTIES. The Agent and the Administrative Agent may execute any of its duties under this Agreement or any of the other Related Documents by or through agents or attorneys-in-fact and shall be entitled to

advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor the Administrative Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

7.3 EXCULPATORY PROVISIONS. Neither the Agent nor the Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any of the other Related

Documents (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Class A Purchasers for any recitals, statements, representations or warranties made by the Transferor, the Servicer or the Trustee or any officer thereof contained in this Agreement or any of the other Related Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent or the Administrative Agent under or in connection with, this Agreement or any of the other Related Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any of the other Related Documents or for any failure of the Transferor, the Servicer or the Trustee to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Section 3 hereof, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. Neither the Agent nor the Administrative Agent shall be under any obligation to any Class A Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any of the other Related Documents, or to inspect the properties, books or records of the Transferor, the Servicer, the Trustee or the Trust.

7.4 RELIANCE BY AGENT. The Agent and the Administrative Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, written statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Transferor, the Agent or the Administrative Agent), independent accountants and other experts selected by the Agent or the Administrative Agent. The Agent and the Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any of the other Related Documents unless it shall first receive such advice or concurrence of the Required Class A Purchasers as it deems appropriate or it shall first be indemnified to its satisfaction by the Class A Purchasers or of the Committed Class A Purchasers against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent and the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the other Related Documents in accordance with a request of the Required Class A Owners and the Required Class A Purchasers and such request and any action taken or failure to act pursuant thereto shall be binding upon all present and future Class A Purchasers.

7.5 NOTICES. The Agent shall not be deemed to have knowledge or notice of the occurrence of any breach of this Agreement or the occurrence of any Pay Out Event or any Termination Event unless the Agent has received notice from the Transferor, the Servicer, the Trustee or any Class A Purchaser referring to this Agreement, describing such event. In the event that the Agent receives such a notice, the Agent promptly shall give notice thereof to the Class A Owners and the Required Class A Purchasers. The Agent shall take such action with respect to such event as shall be reasonably directed by the Required Class A Owners and the Required Class A Purchasers; PROVIDED that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such event as it shall deem advisable in the best interests of the Class A Purchasers.

7.6 NON-RELIANCE ON AGENT AND OTHER CLASS A PURCHASERS. Each Class A Purchaser expressly acknowledges that neither the Agent nor the Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent or the Administrative Agent hereafter taken, including any review of the affairs of the Transferor, the Servicer, the Trustee or the Trust shall be deemed to constitute any representation or warranty by the Agent or the Administrative Agent to any Class A Purchaser. Each Class A Purchaser represents to the Agent and the Administrative Agent that it has, independently and without reliance upon the Agent or any other Class A Purchaser, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Trust, the Trustee, the Transferor and the Servicer and made its own decision to purchase its Class A Certificate hereunder and enter into this Agreement. Each Class A Purchaser also represents that it will, independently and without reliance upon the Agent or the Administrative Agent or any other Class A Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis, appraisals and decisions in taking or not taking action under this Agreement or any of the other Related Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Trust, the Trustee, the Transferor and the Servicer. Except for notices, reports and other documents received by the Agent under Section 5 hereof, the Agent shall not have any duty or responsibility to provide any Class A Purchaser with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Trust, the Trustee, the Transferor or the Servicer which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

7.7 INDEMNIFICATION. The Committed Class A Purchasers agree to reimburse and indemnify the Agent and the Administrative Agent in its capacity as such (without limiting the obligation of the Transferor, the Trust or the Servicer to reimburse the Agent or the Administrative Agent for any such amounts), ratably according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the obligations under this Agreement, including the Class A Invested Amount) be imposed on, incurred by or asserted against the Agent or the Administrative Agent in any way relating to or arising out of this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent or the Administrative Agent under or in connection with any of the foregoing; PROVIDED that no Class A Purchaser shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of the Agent or the Administrative Agent resulting from its own gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the obligations under this Agreement, including the Class A Invested Amount.

7.8 AGENTS IN THEIR INDIVIDUAL CAPACITIES. The Agent, the Administrative Agent and their Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Trust, the Trustee, the Servicer and the Transferor as

though the Agent and the Administrative Agent were not the agents hereunder. Each Class A Purchaser acknowledges that Bank One may act (i) as administrator and agent for one or more Structured Purchasers and in such capacity acts and may continue to act on behalf of each such Structured Purchaser in connection with its business and (ii) as the agent for certain financial institutions under the liquidity and credit enhancement agreements relating to this Agreement to which any such Structured Purchaser is party and in various other capacities relating to the business of any such Structured Purchaser under various agreements. Bank One in its capacity as the Agent shall not, by virtue of its acting in any such other capacities, be deemed to have duties or responsibilities hereunder or be held to a standard of care in connection with the performance of its duties as the Agent or the Administrative Agent other

than as expressly provided in this Agreement. Bank One may act as the Agent and the Administrative Agent without regard to and without additional duties or liabilities arising from its role as such administrator or agent or arising from its acting in any such other capacity.

7.9 SUCCESSOR AGENT. (a) The Agent may resign as Agent upon ten days' notice to the Class A Purchasers, the Trustee, the Transferor and the Servicer with such resignation becoming effective upon a successor agent succeeding to the rights, powers and duties of the Agent pursuant to this subsection 7.9(a). If the Agent shall resign as Agent under this Agreement, then the Required Class A Purchasers and the Required Class A Owners shall appoint from among the Committed Class A Purchasers a successor agent for the Class A Purchasers. The successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the retiring Agent's resignation as Agent, the provisions of this Section 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

(b) The Administrative Agent may resign as Administrative Agent upon ten days' notice to the Class A Purchasers, the Class B Purchasers (as defined in the Class B Certificate Purchase Agreement), the Trustee, the Transferor and the Servicer with such resignation becoming effective upon a successor agent succeeding to the rights, powers and duties of the Administrative Agent pursuant to this subsection 7.9(b). If the Administrative Agent shall resign as Administrative Agent under this Agreement, then the Required Class A Purchasers and the Required Class A Owners shall appoint from among the Committed Class A Purchasers hereunder or under the Class B Certificate Purchase Agreement a successor Administrative Agent of the Class A Certificateholders and Class B Certificateholders as provided in the Supplement; PROVIDED that no such appointment shall be effective unless such successor is also appointed as successor Administrative Agent under the Class B Certificate Purchase Agreement. The successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8. SECURITIES LAWS; TRANSFERS; TAX TREATMENT

8.1 TRANSFERS OF CLASS A CERTIFICATES. (a) Each Class A Owner agrees that the beneficial interest in the Class A Certificates purchased by it will be acquired for investment only and not with a view to any public distribution thereof, and that such Class A Owner will not offer to sell or otherwise dispose of any Class A Certificate acquired by it (or any interest therein) in violation of any of the registration requirements of the Act or any applicable state or other securities laws. Each Class A Owner acknowledges that it has no right to require the Transferor to register, under the Act or any other securities law, the Class A Certificates (or the beneficial interest therein) acquired by it pursuant to this Agreement or any Transfer Supplement. Each Class A Owner hereby confirms and agrees that in connection with any transfer or syndication by it of an interest in the Class A Certificates, such Class A Owner has not engaged and will not engage in a general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Each initial Class A Owner agrees with the Transferor that it will execute and deliver to the Transferor, the Servicer and the Trustee on or before the Closing Date a letter in the form attached hereto as EXHIBIT A (an "INVESTMENT LETTER") with respect to the purchase by such Class A Owner of a beneficial interest in the Class A Certificates.

(b) Each initial purchaser of a Class A Certificate

or any interest therein and any Assignee thereof or Participant therein shall certify to the Transferor, the Servicer and the Trustee that it is either (A)(i) a citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any political subdivision thereof which, if such entity is a tax-exempt corporation, recognizes that payments with respect to the Class A Certificates may constitute unrelated business taxable income or (iii) a Person not described in clause (i) or (ii) whose income from the Class A Certificates is effectively connected with the conduct of a trade or business within the United States (within the meaning of the Code) and whose ownership of any interest in a Class A Certificate will not, under United States federal tax laws in effect at the time of the making of such certification, result in any withholding obligation with respect to any payments with respect to the Class A Certificates by any Person (other than withholding, if any, under Section 1446 of the Code) and who will furnish to the Agent, the Servicer and the Trustee, and to the Class A Owner making the Transfer, a properly executed U.S. Internal Revenue Service Form W-8ECI (and will agree (to the extent legally able) to provide a new Form W-8ECI upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws) or (B) an estate or trust the income of which is includible in gross income for United States federal income tax purposes.

(c) Any sale, transfer, assignment, participation, pledge, hypothecation or other disposition (a "TRANSFER") of a Class A Certificate or any interest therein may be made only in accordance with this Section 8.1 and in accordance with and subject to the applicable limitations set forth in Section 6.18 of the Pooling and Servicing Agreement. Any Transfer of an interest in a Class A Certificate, a Commitment or any Noncommitted Purchaser Percentage, when combined with any substantially concurrent Transfers hereunder between the same parties and any substantially concurrent Transfer of an interest in a Class B

Certificate or a Commitment or Noncommitted Purchaser Percentage (as such terms are defined for purposes of the Class B Certificate Purchase Agreement) between the same parties, shall be in respect of (i) in the case of a Committed Class A Purchaser, at least $5,000,000 in the aggregate, which may be composed of any one or more of (A) Class A Invested Amount, (B) to the extent in excess of the Class A Invested Amount subject to such Transfer, Commitment hereunder, (C) Class B Invested Amount, and (D) to the extent in excess of the Class B Invested Amount subject to such concurrent Transfer, Commitment under the Class B Certificate Purchase Agreement, or (ii) in the case of a Noncommitted Class A Purchaser, at least $5,000,000 in the aggregate, which may be composed of any one or more of (A) Class A Invested Amount, (B) to the extent in excess of the Class A Invested Amount subject to such Transfer, the product of the Noncommitted Purchaser Percentage subject to such Transfer times the aggregate Commitments hereunder, (C) Class B Invested Amount and (D) to the extent in excess of the Class B Invested Amount subject to such concurrent Transfer, the product of the Noncommitted Purchaser Percentage under the Class B Certificate Purchase Agreement subject to such Transfer times the aggregate Commitments under the Class B Certificate Purchase Agreement. Any Transfer of an interest in a Class A Certificate otherwise permitted by this Section 8.1 will be permitted only if it consists of a pro rata percentage interest in all payments made with respect to the Class A Purchaser's beneficial interest in such Class A Certificate. No Class A Certificate or any interest therein may be Transferred by assignment or Participation to any Person (each, a "TRANSFEREE") unless prior to the transfer the Transferee shall have executed and delivered to the Agent and the Transferor an Investment Letter and, except for any Transfer to an Eligible Transferee, each of the Transferor and the Servicer shall have granted its prior consent thereto; PROVIDED that in the event of a Transfer from a Class A Purchaser to one of its Affiliates or to a Person which, prior to such Transfer, is a Class A Purchaser of all of its interest in the Class A Certificates the transferring Class A Purchaser shall provide the Transferor and the Servicer with five (5) Business Days prior written notice thereof and the prior consent of the Transferor and the Servicer shall not be required for such Transfer AND PROVIDED FURTHER that the consent of the Transferor and the Servicer shall not be required in connection with any transfer to a Support Bank or any liquidity provider.

Each of the Transferor and the Servicer authorizes each Class A Purchaser to disclose to any Transferee and Support Bank and any prospective

Transferee or Support Bank any and all financial information in the Class A Purchaser's possession concerning the Trust, the Transferor or the Servicer which has been delivered to the Agent or such Class A Purchaser by or on behalf of the Trust or the Transferor or the Servicer pursuant to this Agreement (including information obtained pursuant to rights of inspection granted hereunder) or the other Related Documents or which has been delivered to such Class A Purchaser by or on behalf of the Trust, the Transferor or the Servicer in connection with such Class A Purchaser's credit evaluation of the Trust, the Transferor or the Servicer prior to becoming a party to, or purchasing an interest in this Agreement or the Class A Certificates; PROVIDED that prior to any such disclosure, such Transferee or Support Bank or prospective Transferee or Support Bank shall have executed an agreement agreeing to be bound by the provisions of Section 6.2 hereof.

(d) Each Class A Purchaser may, in accordance with applicable law, at any time grant participations in all or part of its interest in its Commitment or in the Class A Certificates including the payments due to it under this Agreement and the Pooling and Servicing Agreement (each, a "PARTICIPATION") to any Person (each, a

"PARTICIPANT"); PROVIDED, HOWEVER, that no Participation shall be granted to any Person unless and until the conditions to Transfer specified in this Agreement and the Pooling and Servicing Agreement, including in subsection 8.1(c) hereof and Section 6.18 of the Pooling and Servicing Agreement, shall have been satisfied and that such Participation consists of a pro rata percentage interest in all payments made with respect to such Class A Purchaser's beneficial interest (if any) in the Class A Certificates. In connection with any such Participation, the Agent shall maintain a register of each Participant and the amount of each Participation. Each Class A Purchaser hereby acknowledges and agrees that (A) any such Participation will not alter or affect such Class A Purchaser's direct obligations hereunder, and (B) neither the Trustee, the Transferor nor the Servicer shall have any obligation to have any communication or relationship with any Participant. Each Class A Purchaser and each Participant shall comply with the provisions of subsection 2.5(c). No Participant shall be entitled to Transfer all or any portion of its Participation, without the prior written consent of the Agent. The Transferor shall be obligated to indemnify a Participant for all amounts owing to it under Sections 2.4, 2.5 and 2.7 as if such Participant were a Class A Purchaser hereunder, but, in the case of Sections 2.4 and 2.5, only in an amount not in excess of the amounts which would have been owing thereunder had such Participation not been granted and, in the case of Section 2.5, provided that such Participant has complied with the provisions of subsection 2.5(c) as if it were a Class A Purchaser. Each Class A Purchaser shall give the Agent notice of the consummation of any sale by it of a Participation and the Agent (upon receipt of notice from the related Class A Purchaser) shall promptly notify the Transferor, the Servicer and the Trustee.

(e) Each Class A Purchaser may, with the consent of the Agent and in accordance with applicable law, sell or assign (each, an "ASSIGNMENT"), to any Person (each, an "ASSIGNEE") which is an Eligible Assignee (or is otherwise consented to in writing by the Transferor and the Servicer) all or any part of its interest in its Commitment or in the Class A Certificates and its rights and obligations under this Agreement and the Pooling and Servicing Agreement pursuant to an agreement substantially in the form attached hereto as EXHIBIT C hereto (a "TRANSFER SUPPLEMENT"), executed by such Assignee and the Class A Purchaser and delivered to the Agent for its acceptance and consent; PROVIDED, HOWEVER, that no such assignment or sale shall be effective unless and until the conditions to Transfer specified in this Agreement and the Pooling and Servicing Agreement, including in subsection 8.1(c) hereof and Section 6.18 of the Pooling and Servicing Agreement, shall have been satisfied; and PROVIDED FURTHER, HOWEVER, that no such assignment or sale to an Assignee which would become a Committed Class A Purchaser shall be effective unless either (i) the commercial paper notes or the short-term obligations of such Assignee are rated at least A-1 by Standard & Poor's and P-1 by Moody's or (ii) such assignment or sale shall have been consented to by all Class A Purchasers. From and after the effective date determined pursuant to such Transfer Supplement, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Transfer Supplement, have the rights and obligations of a Class A Purchaser hereunder as set forth therein and (y) the transferor Class A Purchaser shall, to the extent provided in such Transfer Supplement, be released from its Commitment and other obligations under this Agreement; PROVIDED, HOWEVER, that after giving effect to

each such Assignment, the obligations released by any such Class A Purchaser shall not exceed the obligations assumed by an Assignee or Assignees. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Assignee and the resulting adjustment of Percentage Interests, Noncommitted Purchaser

Percentages or Commitment Percentages arising from the Assignment. Upon its receipt of a duly executed Transfer Supplement, the Agent shall on the effective date determined pursuant thereto give notice of such acceptance to the Transferor, the Servicer and the Trustee and the Servicer will provide notice thereof to each Rating Agency (if required).

Upon surrender for registration of transfer of a Class A Purchaser's beneficial interest in the Class A Certificates (or portion thereof) and delivery to the Transferor and the Trustee of an Investment Letter, executed by the registered owner (and the beneficial owner if it is a Person other than the registered owner), and receipt by the Trustee of a copy of the duly executed related Transfer Supplement and such other documents as may be required under this Agreement, such beneficial interest in the Class A Certificates (or portion thereof) shall be transferred in the records of the Trustee and the Agent and, if requested by the Assignee, new Class A Certificates shall be issued to the Assignee and, if applicable, the transferor Class A Purchaser in amounts reflecting such Transfer as provided in the Pooling and Servicing Agreement. Such Transfers of Class A Certificates (and interests therein) shall be subject to this Section 8.1 in lieu of any regulations which may be prescribed under Section 6.3 of the Pooling and Servicing Agreement. Successive registrations of Transfers as aforesaid may be made from time to time as desired, and each such registration of a transfer to a new registered owner shall be noted on the Certificate Register.

(f) Each Class A Purchaser may pledge its interest in the Class A Certificates to any Federal Reserve Bank as collateral in accordance with applicable law.

(g) Any Class A Purchaser shall have the option to change its Investing Office, PROVIDED that such Class A Purchaser shall have prior to such change in office complied with the provisions of subsection 2.5(c) and PROVIDED FURTHER that such Class A Purchaser shall not be entitled to any amounts otherwise payable under Section 2.4 or 2.5 resulting solely from such change in office unless such change in office was mandated by applicable law or by such Class A Purchaser's compliance with the provisions of this Agreement.

(h) Each Affected Party which, on the date it became an Affected Party, was an Eligible Assignee or was consented to by the Transferor and the Servicer shall be entitled to receive additional payments pursuant to Sections 2.4, 2.5 and 2.7 hereof as though it were a Class A Purchaser and such Section applied to its interest in or commitment to acquire an interest in the Class A Certificates; PROVIDED that such Affected Party shall not be entitled to additional payments pursuant to (i) Section 2.4 by reason of Regulatory Changes which occurred prior to the date it became an Affected Party or (ii) Section 2.5 attributable to its failure to satisfy the requirements of subsection 2.5(c) as if it were a Class A Purchaser.

(i) If any increased amounts referred to in Sections 2.4 or 2.5 owing to any Affected Party are not eliminated or reduced by the designation of a different Investing Office or other actions taken pursuant to subsection 2.4(c) and payment thereof hereunder is not waived by such Affected Party within 45 days after the Transferor or the Servicer shall have given notice to such Affected Party, its related Class A Purchaser and the Agent of the intent of the Transferor to exercise its rights under this sentence, the Transferor shall have the right to replace such related Class A Purchaser hereunder with a Replacement Purchaser; PROVIDED, that (x) such related Class A Purchaser shall not be replaced hereunder

until such related Class A Purchaser has been paid in full all amounts owed to it hereunder and with respect to its interest in the Class A Certificates and (y) if the related Class A Purchaser is the Agent or the Administrative Agent

or, unless otherwise agreed by the Agent and the Administrative Agent, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent and Administrative Agent shall have been appointed in accordance with Section 7.9 and the Agent and the Administrative Agent to be replaced shall have been paid in full all amounts owed to it hereunder.

(j) Each Affected Party claiming increased amounts described in Sections 2.4 or 2.5 shall furnish, through its related Structured Purchaser, to the Trustee, the Agent, the Servicer and the Transferor a certificate setting forth any action taken by such Affected Party to reduce or eliminate such increased amounts pursuant to subsection 2.4(c) and the basis and amount of each request by such Affected Party for any such amounts referred to in Sections 2.4 or 2.5, such certificate to be conclusive with respect to the factual information set forth therein absent manifest error.

(k) In the event that a Committed Class A Purchaser was at any time a Defaulting Purchaser or is a Downgraded Purchaser, the Transferor shall have the right and to replace such Class A Purchaser hereunder with a Replacement Purchaser, and the Agent, acting at the request of the Required Class A Purchasers or the Required Class A Owners, shall have the right to replace such Committed Class A Purchaser with a Replacement Purchaser which is an Eligible Assignee or is otherwise reasonably acceptable to the Transferor, which Replacement Purchaser shall succeed to the rights of such Committed Class A Purchaser under this Agreement, and such Committed Class A Purchaser shall assign its beneficial interest in the Class A Certificates to such Replacement Purchaser in accordance with the provisions of this Section 8.1; PROVIDED, that (A) such Committed Class A Purchaser shall not be replaced hereunder with a new investor until such Committed Class A Purchaser has been paid in full its Percentage Interest of the Class A Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon by such new investor and all other amounts (including all amounts owing under Sections 2.4 and 2.5) owed to it and to all Participants and Affected Parties with respect to such Class A Purchaser pursuant to this Agreement and (ii) if the Class A Purchaser to be replaced is the Agent or the Administrative Agent or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement. For purposes of this subsection, a Committed Class A Purchaser shall be a "DOWNGRADED PURCHASER" if and so long as the credit rating assigned to its short-term obligations by Moody's or Standard & Poor's on the date on which it became a party to this Agreement shall have been reduced or withdrawn.

(l) Notwithstanding any provision of this Section 8.1 or any other provision in this Agreement or any Related Document to the contrary other than the limitations set forth in Section 6.18 of the Pooling and Servicing Agreement, each of the parties hereto agrees and acknowledges that (i) no provision of this Agreement, the Pooling and Servicing Agreement or of any other Related Document shall limit in any manner the ability of

any Structured Purchaser to sell, assign, pledge, dispose of or otherwise transfer the Class A Certificates or any interest therein under any Liquidity Agreement or to consummate a Liquidity Put and (ii) any sale, assignment, pledge, disposition or transfer by any Structured Purchaser under any Liquidity Agreement or any Liquidity Put shall not be subject to any of the requirements or limitations set forth in this Agreement, the Pooling and Servicing Agreement or any other Related Document that would be applicable to such sale, assignment, pledge, disposition or transfer or Liquidity Put but for this sentence.

8.2 TAX CHARACTERIZATION OF THE CLASS A CERTIFICATES. It is the intention of the parties hereto that the Class A Certificates be treated for tax purposes as indebtedness. In the event that the Class A Certificates are not so treated, it is the intention of the parties that such Class A Certificates be treated as an interest in a partnership that owns the Receivables. In the event that the Class A Certificates are treated as an interest in a partnership, it is the intention of the parties that interest payable on such Class A Certificates

be treated as guaranteed payment and, if for any reason it is not so treated, that the holders of such Class A Certificates be specially allocated gross interest income equal to the interest accrued during each applicable accrual period on such Class A Certificates.

SECTION 9. MISCELLANEOUS

9.1 AMENDMENTS AND WAIVERS. This Agreement may not be amended, supplemented or modified nor may any provision hereof be waived except in accordance with the provisions of this Section 9.1. With the written consent of the Required Class A Owners and the Required Class A Purchasers, the Agent, the Transferor and the Servicer may, from time to time, enter into written amendments, supplements, waivers or modifications hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights of any party hereto or waiving, on such terms and conditions as may be specified in such instrument, any of the requirements of this Agreement; PROVIDED, HOWEVER, that no such amendment, supplement, waiver or modification shall (i) reduce the amount of or extend the maturity of any Class A Certificate or reduce the rate or extend the time of payment of interest thereon, or reduce or alter the timing of any other amount payable to any Class A Purchaser hereunder or under the Supplement, in each case without the consent of the Class A Purchaser affected thereby, (ii) amend, modify or waive any provision of this Section 9.1, or, if such amendment would have a material adverse effect on the Class A Purchasers, the definition of "Class A Invested Amount", or reduce the percentage specified in the definition of Required Class A Owners or Required Class A Purchasers, in each case without the written consent of all Class A Purchasers or (iii) amend, modify or waive any provision of Section 7 of this Agreement without the written consent of the Agent, the Administrative Agent, the Required Class A Owners and Required Class A Purchasers. Any waiver of any provision of this Agreement shall be limited to the provisions specifically set forth therein for the period of time set forth therein and shall not be construed to be a waiver of any other provision of this Agreement.

The Administrative Agent may cast any vote or give any direction under the Pooling and Servicing Agreement on behalf of the Class A Certificateholders if it has been directed to do so by (i) the Required Class A Owners, (ii) the Required Class A Purchasers, and (iii) by the Class B Purchasers (as defined in the Class B Certificate Purchase Agreement) required under the terms of Section 9.1 of the Class B Certificate Purchase Agreement.

9.2 NOTICES. (a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy, telegraph or telex), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of mail or telecopy notice, when received, or, in the case of telegraphic notice, when delivered to the telegraph company, or, in the case of telex notice, when sent, answer back received, addressed as follows or, with respect to a Class A Purchaser, as set forth in its respective Joinder Supplement or Transfer Supplement, or to such other address as may be hereafter notified by the respective parties hereto:

The Transferor: Prime II Receivables Corporation
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: President
Telephone: (513) 579-7580
Telefax: (513) 579-7393

The Servicer: FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: Chief Financial Officer
Telephone: (513) 573-2659
Telefax: (513) 573-2720

With a copy to:

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel

Telephone: (513) 579-7000
Telefax: (513) 579-7462

The Trustee: JPMorgan Chase Bank
4 New York Plaza, 6th Floor
New York, New York 10004-2413
Attention: Structured Finance Administration
Telephone: (212) 623-5430
Telefax: (212) 623-5933

The Agent or the Administrative Agent: Bank One, NA (Main Office Chicago)
1 Bank One Plaza, Suite IL1-0596, 1-21
Chicago, Illinois 60670-0596
Attention: Asset-Backed Finance Division
Telephone: (312) 732-9747
Telefax: (312) 732-4487

Jupiter: Jupiter Securitization Corporation
c/o Bank One, NA (Main Office Chicago), as Agent
Asset Backed Finance
Suite IL 1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079

Moody's: Moody's Investors Service, Inc.
99 Church Street, 4th Floor
New York, New York 10007
Attention: ABS Monitoring Department
Telephone: (212) 553-3610
Telefax: (212) 553-4773
(212) 553-7811

Standard & Poor's: Standard & Poor's Ratings Services
55 Water Street, 40th Floor
New York, New York 10041
Attention: Structured Finance Surveillance Group
Telephone: (212) 438-6216
Telefax: (212) 438-2647

(b) All payments to be made to the Agent or any Class A Purchaser hereunder shall be made in United States dollars and in immediately available funds not later than 1:30 p.m. Chicago time on the date payment is due, and, unless otherwise specifically provided herein, shall be made to the Agent, for the account of one or more of the Class A Purchasers or for its own account, as the case may be. Unless otherwise directed by the Agent, all payments to it shall be made by federal wire (ABA #071000013), to account number 59-48118, with telephone notice (including federal wire number) to (312) 732-2722.

9.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Agent or any Class A Purchaser, any right, remedy, power or privilege hereunder or under any of the other Related Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any of the other Related Documents preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided herein and in the other Related Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Transferor, the Servicer, the Agent, the Administrative Agent, the Class A Purchasers, any Assignee and their respective successors and assigns, except that the Transferor and the Servicer may not assign or transfer any of their respective rights or obligations under this Agreement except as provided herein and in the Pooling and Servicing Agreement, without the prior written consent of the Required Class A Owners and the Required Class A Purchasers. Upon any assignment by any Structured Purchaser to any Support Bank,

such Support Bank shall be deemed to be a "Class A Purchaser" party hereto and shall have all of the rights and obligations of a Class A Purchaser under this Agreement, the Class A Fee Letter and the Pooling and Servicing Agreement.

9.5 SUCCESSORS TO SERVICER. (a) In the event that a transfer of servicing occurs under Article VIII or Article X of the Pooling and Servicing Agreement, (i) from and after the effective date of such transfer, the Successor Servicer shall be the successor in all respects to the Servicer and shall be responsible for the performance of all functions to be performed by the Servicer from and after such date, except as provided in the Pooling and Servicing Agreement, and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Successor Servicer, and (ii) as of the date of such transfer, the Successor Servicer shall be deemed to have made with respect to itself the representations and warranties made by the Servicer in Section 4.2 (in the case of subsection 4.2(a) with appropriate factual changes); PROVIDED, HOWEVER, that the references to the Servicer contained in Section 5.1 of this Agreement shall be deemed to refer to the Servicer with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the Servicer was Servicer under this Agreement and shall be deemed to refer to the Successor Servicer with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the Successor Servicer acts as Servicer under this Agreement; PROVIDED, HOWEVER, to the extent that an obligation to indemnify the Class A Purchasers under Section 2.7 arises as a result of any act or failure to act of any Successor Servicer in the performance of servicing obligations under the Pooling and Servicing Agreement or the Supplement, such indemnification obligation shall be of the Successor Servicer and not FDSB. Upon the transfer of servicing to a Successor Servicer, such Successor Servicer shall furnish to the Agent copies of its audited annual financial statements for each of the three preceding fiscal years or if the Trustee or any other banking institution becomes the Successor Servicer, such Successor Servicer shall provide, in lieu of the audited financial statements required in the immediately preceding clause, complete and correct copies of the publicly available portions of its Consolidated Reports of Condition and Income as submitted to the Federal Deposit Insurance Corporation for the two most recent year end periods.

(b) In the event that any Person becomes the successor to the Transferor pursuant to Article VII of the Pooling and Servicing Agreement, from and after the effective date of such transfer, such successor to the Transferor shall be the successor in all respects to the Transferor and shall be responsible for the performance of all functions to be performed by the Transferor from and after such date, except as provided in the Pooling and Servicing Agreement, and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Transferor by the terms and provisions hereof, and all references in this Agreement to the Transferor shall be deemed to refer to the successor to the Transferor; PROVIDED, HOWEVER, that the references to the Transferor contained in Sections 2.5, 2.7 and 5.1 of this Agreement shall be deemed to refer to Prime II Receivables Corporation with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that Prime II Receivables Corporation was Transferor under this Agreement and shall

be deemed to refer to the successor to Prime II Receivables Corporation as Transferor with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the successor to Prime II Receivables Corporation acts as Transferor under this Agreement.

9.6 COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same

instrument.

9.7 SEVERABILITY. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

9.8 INTEGRATION. This Agreement and the Class A Fee Letter represent the agreement of the Agent, the Administrative Agent, the Transferor, the Servicer and the Class A Purchasers with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Class A Purchasers, the Agent or the Administrative Agent relative to subject matter hereof not expressly set forth or referred to herein or therein. FDSB shall retain a copy of each of the above-referenced agreements as part of its official records.

9.9 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9.10 TERMINATION. This Agreement shall remain in full force and effect until the earlier to occur of (a) payment in full of the Class A Repayment Amount and all other amounts payable to the Class A Purchasers, the Agent and the Administrative Agent hereunder and the termination of all Commitments and (b) the Series 2002-1 Termination Date; PROVIDED, HOWEVER, that if the Class A Repayment Amount and all other amounts payable to the Class A Purchasers hereunder are paid in full and all Commitments have terminated prior to the Series 2002-1 Termination Date, the Agent shall notify the Trustee that thereafter all amounts otherwise payable to the Class A Purchasers hereunder shall be payable to the Transferor or any Person designated thereby; and PROVIDED, FURTHER, that the provisions of Sections 2.4, 2.5, 2.6, 2.7, 7.7 and 9.13 and subsections 9.12(a), 9.12(b) and 9.12(c) shall survive termination of this Agreement and amounts payable to the Class A Purchasers thereunder shall remain payable to the Class A Purchasers.

9.11 ACTION BY SERVICER. Wherever the Trustee or the Trust is authorized or required to take an action or give a notice pursuant to this Agreement and if the Trustee fails timely to take such action or give such notice pursuant to this Agreement after being requested to do so by the Servicer, the Servicer shall take such action or give such notice on behalf of the Trustee or the Trust.

9.12 LIMITED RECOURSE; NO PROCEEDINGS. (a) The obligations of the Transferor and the Servicer under this Agreement are several (except as specifically provided herein) and are solely the corporate obligations of the Transferor and the Servicer. No recourse shall be had for the payment of any fee or other obligation or claim arising out of or relating to this Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Transferor and the Servicer or any officer of any of them in connection therewith, against any stockholder, employee, officer, director or incorporator of the Transferor or the Servicer, and neither the Agent nor any Class A Purchaser shall look to any property or assets of the Transferor, other than to (a) amounts payable to the Transferor under the Receivables Purchase Agreement, any Supplement or the Pooling and Servicing Agreement and (b) any other assets of the Transferor not pledged to third parties or otherwise encumbered in any manner permitted by the Transferor's Certificate of Incorporation. Each Class A Purchaser and the Agent hereby agrees that to the extent such funds are insufficient or unavailable to pay any amounts owing to it by the Transferor pursuant to this Agreement, prior to the earlier of the Trust Termination Date or the commencement of a bankruptcy or insolvency proceeding by or against the Transferor, it shall not constitute a claim against the Transferor. Nothing in this paragraph shall limit or otherwise affect the liability of the Servicer with respect to any amounts owing by it hereunder or the right of the Agent or any Class A Purchaser to enforce such liability against the Servicer or any of its assets. The obligations of the Agent and the Administrative Agent under this Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Agent, the Administrative Agent or any Class A Purchaser or any officer thereof are solely

the corporate obligations of the Agent, the Administrative Agent or such Class A Purchaser. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Agent, the Administrative Agent or any Class A Purchaser or any officer thereof in connection therewith, against any stockholder, employee, officer, director or incorporator of the Agent, the Administrative Agent or such Class A Purchaser.

(b) Each of the Transferor, the Servicer and the Trustee hereby agrees that it shall not institute or join against any Structured Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and a day after the latest maturing commercial paper note, medium term note or other debt security issued by such Structured Lender is paid.

(c) No claim may be made by the Transferor, the Servicer, the Trustee or any other Person against such Class A Purchaser, Administrative Agent or Agent or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each of the Transferor, the Servicer and the Trustee hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

9.13 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the purchase of the Class A Certificates hereunder and the termination of this Agreement.

9.14 SUBMISSION TO JURISDICTION; WAIVERS. EACH OF THE TRANSFEROR, THE ADMINISTRATIVE AGENT, THE SERVICER, THE TRUST, THE TRUSTEE, THE AGENT AND EACH CLASS A PURCHASER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(B) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(C) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS SET FORTH IN SECTION 9.2 OR AT SUCH OTHER ADDRESS OF WHICH THE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO; AND

(D) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

9.15 WAIVERS OF JURY TRIAL. THE TRANSFEROR, THE SERVICER, THE TRUST, THE TRUSTEE, THE AGENT AND THE CLASS A PURCHASERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT OR INSTRUMENT RELATED HERETO AND FOR ANY COUNTERCLAIM THEREIN.

9.16 EXCULPATION OF STRUCTURED PURCHASER, THE AGENT AND THE ADMINISTRATIVE AGENT. None of any Structured Purchaser, the Agent or the Administrative Agent undertakes or assumes any responsibility or duty to the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person to select, review, inspect, examine, supervise, pass judgment upon or inform the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person of (a) the existence, quality, adequacy or suitability of appraisals of any Receivables or related assets or (b) any other matters or items (including, but not limited to, the condition and credit quality of the Receivables or related assets and the validity or enforceability of any of the Receivables or related assets) that are contemplated in the Pooling and Servicing Agreement, herein, or in any document executed or delivered in connection herewith. Any such selection, review, inspection, examination and the like, and any other due diligence conducted by the Agent, the Administrative Agent, and/or any Structured Purchaser, is solely for the purpose of protecting the Agent's, the Administrative Agent's, and such Structured Purchaser's rights hereunder and under the Pooling and Servicing Agreement, and shall not render the Agent, the Administrative Agent, and/or any Structured Purchaser liable to the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person for the existence, sufficiency, accuracy, completeness or legality thereof. Notwithstanding any provision to the contrary contained in this Agreement or any other document executed or delivered in connection herewith, each of the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person which is or becomes a party to this Agreement or any other document executed or delivered in connection herewith hereby acknowledges and agrees that no Structured Purchaser has any express or implied obligations, duties or liabilities (including, without limitation, the incurrence of any cost or expense or of any payment or other performance undertaking) arising under or in connection with this Agreement or any other document executed or delivered in connection herewith and shall not be liable or responsible to any Person to act or for the failure to act in connection with this Agreement or any other document executed or delivered in connection herewith (it being agreed that any Structured Purchaser's failure to take any action shall not result in liability to the Administrative Agent or the Agent). For the avoidance of doubt, each party hereto acknowledges and agrees to be bound by this Section.

9.17 FURTHER ASSURANCES. (a) Each party hereto agrees, at the request of the Agent from time to time to enter into or to consent to, as applicable, any amendments or other modifications to this Agreement or the Related Documents, other than those requiring the consent of all Class A Purchasers as provided above in Section 9.1, and the Transferor agrees to cause its Certificate of Incorporation and Bylaws to be amended or otherwise modified, as shall reasonably be determined by the Agent to be required for any initial Class A Purchaser which is a Structured Purchaser to obtain or maintain an informal rating of the Class A Certificates which will permit such Structured Purchaser's commercial paper notes to maintain at least the rating from Standard & Poor's and Moody's as in effect immediately prior to such Structured Purchaser's becoming a Class A Purchaser after giving effect to its initial purchase of the Class A Certificates and to purchases from time to time by such Structured Purchaser of VFC Additional Class A Invested Amounts as contemplated by this Agreement, without giving effect to any

increase in any letter of credit or other enhancement provided to such Structured Purchaser (other than liquidity support provided to such Structured Purchaser by Affected Parties).

(b) FDSB agrees to do such further acts and things and to execute and deliver to each Class A Purchaser, the Agent or the Administrative Agent such additional assignments, agreements, powers and instruments as are required by such Class A Purchaser to carry into effect the purposes of this Agreement or to better assure and confirm unto Class A Purchaser, the Agent or the Administrative Agent its rights, powers and remedies hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Certificate Purchase Agreement to be duly executed by their respective officers as of the day and year first above written.

PRIME II RECEIVABLES CORPORATION,
as Transferor
By:
/s/ Susan P. Storer

Name: Susan P. Storer
Title: President

FDS BANK
By:
/s/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

Commitment $177,777,778.00

BANK ONE, NA (MAIN OFFICE CHICAGO),
as a Committed Class A
Purchaser, as Agent
and as Administrative Agent

Commitment Expiration Date November 5, 2003

By:
/s/ William Hendricks

Name: William Hendricks
Title: Director, Capital Markets

JUPITER SECURITIZATION CORPORATION,
as a Noncommitted
Class A Purchaser
By:
/s/ William Hendricks

Name: William Hendricks
Title: Authorized Signer

EXHIBIT A

FORM OF INVESTMENT LETTER

[Date]

Prime II Receivables Corporation
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: President

Re Prime Credit Card Master Trust II Class A Variable Funding Certificates, Series 2002-1

Ladies and Gentlemen:

This letter (the "Investment Letter") is delivered by the undersigned (the "Purchaser") pursuant to subsection 8.1(a) of the Class A Certificate Purchase Agreement dated as of November 6, 2002 (as in effect, the "Certificate Purchase Agreement"), among the Transferor, FDS Bank, as Servicer, the Class A Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent. Capitalized terms used herein without definition shall have the meanings set forth in the Certificate Purchase Agreement. The Purchaser represents to and agrees with the Transferor as follows:

(a) The Purchaser is authorized [to enter into the Certificate Purchase Agreement and to perform its obligations thereunder and to consummate the transactions contemplated thereby] [to purchase a participation in obligations under the Certificate Purchase Agreement].

(b) The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Class A Certificates and is able to bear the economic risk of such investment. The Purchaser has been afforded the opportunity to ask such questions as it deems necessary to make an investment decision, and has received all information it has requested in connection with making such investment decision. The Purchaser has, independently and without reliance upon the Agent, the Administrative Agent or any other Class A Purchaser, and based on such documents and information as it has deemed appropriate, made is own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer and made its own decision to purchase its interest in the Class A Certificates, and will, independently and without reliance upon the Agent, the Administrative Agent or any other Class A Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis, appraisals and decisions in taking or not taking action under the Certificate Purchase Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer.

(c) The Purchaser is an "accredited investor", as defined in Rule 501, promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), or is a sophisticated institutional investor. The Purchaser understands that the offering and sale of the Class A Certificates has not been and will not be registered under the Securities Act and has not and will not be registered or qualified under any applicable "blue sky" law, and that the offering and sale of the Class A Certificate has not been reviewed by, passed on or submitted to any federal or state agency or commission, securities exchange or other regulatory body.

(d) The Purchaser is acquiring an interest in Class A Certificates without a view to any distribution, resale or other transfer thereof except, with respect to any Class A Purchaser Interest or any interest or participation therein, as contemplated in the following sentence. The Purchaser will not resell or otherwise transfer any interest or participation in the Class A Purchaser Interest, except in accordance with Sections 8.1 of the Certificate Purchase Agreement and (i) in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and applicable state securities or "blue sky" laws; (ii) to the Transferor or any affiliate of the Transferor; or (iii) to a person who the Purchaser reasonably believes is a qualified institutional buyer (within the meaning thereof in Rule 144A under the Securities Act) that is aware that the resale or other transfer is being made in reliance upon Rule 144A. In connection therewith, the Purchaser hereby agrees that it will not resell or otherwise transfer the Class A Certificates or any interest therein unless the purchaser thereof provides to the addressee hereof a letter substantially in the form hereof.

[(e) The Purchaser hereby certifies to the Transferor, the Servicer and the Trustee that it has neither acquired nor will it sell, trade or transfer any interest in a Class A Certificate or cause an interest in a Class A Certificate to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and any proposed, temporary or final treasury regulation thereunder, including, without limitation, an over-the-counter-market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. In addition, the Purchaser hereby certifies that it is not and, for so long as it holds any interest in a Class A Certificate will not become a partnership, Subchapter S corporation or grantor trust for U.S. federal income tax purposes. The Purchaser acknowledges that the opinion of counsel to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation is dependent in part on the accuracy of the certifications described in this paragraph.][To be included only if required by Section 6.18 of the Pooling and Servicing

Agreement.]

[(e)][(f)] This Investment Letter has been duly executed and delivered and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally and general principles of equity.

Very truly yours,

[NAME OF PURCHASER]

By: _____
Name: _____
Title: _____

EXHIBIT B

FORM OF JOINDER SUPPLEMENT

JOINDER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among Prime II Receivables Corporation (the "TRANSFEROR"), the Class A Purchaser set forth in Item 2 of Schedule I hereto (the "ADDITIONAL CLASS A PURCHASER"), and Bank One, NA (Main Office Chicago), as Agent for the Class A Purchasers under, and as defined in, the Certificate Purchase Agreement described below (in such capacity, the "AGENT").

W I T N E S S E T H:

WHEREAS, this Supplement is being executed and delivered in accordance with subsection 2.2(d) of the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among the Transferor, FDS Bank, as Servicer, the Class A Purchasers parties thereto, the Agent and Bank One, NA (Main Office Chicago), as Administrative Agent (as from time to time amended, supplemented or otherwise modified in accordance with the terms thereof, the "CERTIFICATE PURCHASE AGREEMENT"; unless otherwise defined herein, terms defined in the Certificate Purchase Agreement are used herein as therein defined); and

WHEREAS, the Additional Class A Purchaser (if it is not already a Class A Purchaser party to the Certificate Purchase Agreement) wishes to become a Class A Purchaser party to the Certificate Purchase Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Agent of five counterparts of this Supplement, to each of which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Additional Class A Purchaser, the Transferor and the Agent, the Agent will transmit to the Servicer, the Transferor, the Trustee, the Administrative Agent and the Additional Class A Purchaser a Joinder Effective Notice, substantially in the form of Schedule III to this Supplement (a "JOINDER EFFECTIVE NOTICE"). Such Joinder Effective Notice shall be executed by the Agent and shall set forth, INTER ALIA, the date on which the transfer effected by this Supplement shall become effective (the "JOINDER EFFECTIVE DATE"). From and after the Joinder Effective Date, the Additional Class A Purchaser shall be a Class A Purchaser party to the Certificate Purchase Agreement for all purposes thereof and shall be a Noncommitted Class A Purchaser or Committed Class A Purchaser, as the case may be, as set forth in Schedule II hereto, having an initial Noncommitted Purchaser Percentage or Committed Purchaser Percentage, as applicable, and a Commitment, if applicable, as set forth in such Schedule II.

(b) Concurrently with the execution and delivery hereof, the Additional Class A Purchaser will deliver to the Transferor and the Trustee an executed Investment Letter in the form of Exhibit A to the Certificate Purchase

Agreement.

(c) Each of the parties to this Supplement agrees and acknowledges that at any time and from time to time upon the written request of any other party, it will execute and deliver

such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Supplement.

(d) By executing and delivering this Supplement, the Additional Class A Purchaser confirms to and agrees with the Agent, the Administrative Agent and the Class A Purchasers as follows: (i) neither the Agent, the Administrative Agent nor any other Class A Purchaser makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with the Certificate Purchase Agreement (other then representations or warranties made by such respective parties) or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Certificate Purchase Agreement or any other instrument or document furnished pursuant thereto, or with respect to the Trust, the financial condition of the Servicer, the Transferor or the Trustee, or the performance or observance by the Servicer, the Transferor or the Trustee of any of their respective obligations under the Certificate Purchase Agreement or the Pooling and Servicing Agreement or any other instrument or document furnished pursuant hereto; (ii) the Additional Class A Purchaser confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (iii) the Additional Class A Purchaser will, independently and without reliance upon the Agent, the Administrative Agent or any other Class A Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Certificate Purchase Agreement; (iv) each Purchasing Class A Purchaser appoints and authorizes the Agent and the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Certificate Purchase Agreement and the Supplement as are delegated to the Agent or the Administrative Agent, as applicable, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Section 7 of the Certificate Purchase Agreement; and (vi) the Additional Class A Purchaser agrees (for the benefit of the Agent, the Administrative Agent, the other Class A Purchasers, the Trustee, the Servicer and the Transferor) that it will perform in accordance with their terms all of the obligations which by the terms of the Certificate Purchase Agreement are required to be performed by it as a Class A Purchaser which is a Noncommitted Class A Purchaser or Committed Class A Purchaser, as the case may be, as specified in Schedule II hereto.

(e) Schedule II hereto sets forth the Commitment and the Commitment Expiration Date, if applicable, and the initial Investing Office of the Additional Class A Purchaser, as well as administrative information with respect to the Additional Class A Purchaser.

(f) This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
JOINDER SUPPLEMENT

COMPLETION OF INFORMATION AND
SIGNATURES FOR JOINDER SUPPLEMENT

Re: Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class A Purchasers party thereto and Bank One, NA, as Agent and as Administrative Agent.

Item 1: Date of Joinder Supplement:

Item 2: Additional Class A Purchaser:

Item 3: Signatures of Parties to Agreement:

_____,
as Additional Class A Purchaser

By: _____
Name:
Title:

[By: _____
Name:
Title:]

PRIME II RECEIVABLES CORPORATION,
as Transferor

By: _____
Name:
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO), as Agent

By: _____
Name:
Title:

ACCEPTED BY:

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Administrative Agent

By: _____
Name:
Title:

FDS BANK, as Servicer

By: _____
Name:
Title:

SCHEDULE II TO
JOINDER SUPPLEMENT

LIST OF INVESTING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT

[Additional Class A Purchaser]

Noncommitted Class A Purchaser: Yes/No

Initial Noncommitted Purchaser Percentage: _____%
(if applicable)

Committed Class A Purchaser: Yes/No

Initial Committed Purchaser Percentage: _____%
(if applicable)

Commitment: $_____

Commitment Expiration Date: _____

Address for Notices:

- ----------

Investing Office:

- ----------

SCHEDULE III TO
JOINDER SUPPLEMENT

FORM OF
JOINDER EFFECTIVE NOTICE

To: [Name and address of
Transferor, Servicer, Trustee, Administrative
Agent and Additional Class A Purchaser]

The undersigned, as Agent under the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class A Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent for the Class A Purchasers and as Administrative Agent thereunder, acknowledges receipt of five executed counterparts of a completed Joinder Supplement. [Note: attach copies of Schedules I and II from such Agreement.] Terms defined in such Supplement are used herein as therein defined.

Pursuant to such Supplement, you are advised that the Joinder Effective Date will be _____, 20__.

Very truly yours,

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent

By: _____
Name:
Title:

EXHIBIT C

FORM OF TRANSFER SUPPLEMENT

TRANSFER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among the Transferor Class A Purchaser set forth in Item 2 of Schedule I hereto (the "TRANSFEROR CLASS A PURCHASER"), the Purchasing Class A Purchaser set forth in Item 3 of Schedule I hereto (the "PURCHASING CLASS A PURCHASER"), and Bank One, NA (Main Office Chicago), as Agent for the Class A Purchasers under, and as defined in, the Certificate Purchase Agreement described below (in such capacity, the "AGENT").

W I T N E S S E T H:

WHEREAS, this Supplement is being executed and delivered in accordance with subsection 8.1(e) of the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class A Purchasers parties thereto, the Agent and Bank One, NA (Main Office Chicago), as Administrative Agent (as from time to time amended, supplemented or otherwise modified in accordance with the terms thereof, the "CERTIFICATE PURCHASE AGREEMENT"; unless otherwise defined herein, terms defined in the Certificate Purchase Agreement are used herein as therein defined);

WHEREAS, the Purchasing Class A Purchaser (if it is not already a Class A Purchaser party to the Certificate Purchase Agreement) wishes to become a Class A Purchaser party to the Certificate Purchase Agreement and the Purchasing Class A Purchaser wishes to acquire and assume from the Transferor Class A Purchaser, certain of the rights, obligations and commitments under the Certificate Purchase Agreement; and

WHEREAS, the Transferor Class A Purchaser wishes to sell and assign to the Purchasing Class A Purchaser, certain of its rights, obligations and commitments under the Certificate Purchase Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Agent of five counterparts of this Supplement, to each of which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Transferor Class A Purchaser, the Purchasing Class A Purchaser and the Agent, the Agent will transmit to the Servicer, the Transferor, the Trustee, the Transferor Class A Purchaser and the Purchasing Class A Purchaser a Transfer Effective Notice, substantially in the form of Schedule III to this Supplement (a "TRANSFER EFFECTIVE NOTICE"). Such Transfer Effective Notice shall be executed by the Agent and shall set forth, inter alia, the date on which the transfer effected by this Supplement shall become effective (the "TRANSFER EFFECTIVE DATE"). Subject to the prior written consent, if applicable, of the Transferor and the Servicer to such transfer in the form of Schedule IV to this Supplement, from and after the Transfer Effective Date the Purchasing Class A Purchaser shall be a Class A Purchaser party to the Certificate Purchase Agreement for all purposes thereof as a Noncommitted Class A Purchaser or Committed Class A Purchaser, as specified on Schedule II to this Supplement.

(b) At or before 12:00 Noon, local time of the Transferor Class A Purchaser, on the Transfer Effective Date, the Purchasing Class A Purchaser shall pay to the Transferor Class A Purchaser, in immediately available funds, an amount equal to the purchase price, as agreed between the Transferor Class A Purchaser and such Purchasing Class A Purchaser (the "PURCHASE PRICE"), of the portion set forth on Schedule II hereto being purchased by such Purchasing Class A Purchaser of the outstanding Class A Invested Amount under the Class A Variable Funding Certificate owned by the Transferor Class A Purchaser (such Purchasing Class A Purchaser's "PURCHASE PERCENTAGE") and other amounts owing to the Transferor Class A Purchaser under the Certificate Purchase Agreement or otherwise in respect of the Class A Variable Funding Certificates. Effective upon receipt by the Transferor Class A Purchaser of the Purchase Price from the Purchasing Class A Purchaser, the Transferor Class A Purchaser hereby irrevocably sells, assigns and transfers to the Purchasing Class A Purchaser, without recourse, representation or warranty, and the Purchasing Class A Purchaser hereby irrevocably purchases, takes and assumes from the Transferor Class A Purchaser, the Purchasing Class A Purchaser's Purchase Percentage of (i) the presently outstanding Class A Invested Amount under the Class A Variable Funding Certificates owned by the Transferor Class A Purchaser and other amounts owing to the Transferor Class A Purchaser in respect of the Class A Variable Funding Certificates, together with all instruments, documents and collateral security pertaining thereto, and (ii) the Purchasing Purchaser's Purchase Percentage of (A) if the Transferor Class A Purchaser is a Noncommitted Class A Purchaser, the Noncommitted Purchaser Percentage of the Transferor Class A Purchaser and the other rights and duties of the Transferor Class A Purchaser under the Certificate Purchase Agreement, or (B) if the Transferor Class A Purchaser is a Committed Class A Purchaser, the Committed Purchaser Percentage and the Commitment of the Transferor Class A Purchaser and other rights, duties and obligations of the Transferor Class A Purchaser under the Certificate Purchase Agreement. This Supplement is intended by the parties hereto to effect a purchase by the Purchasing Class A Purchaser and sale by the Transferor Class A Purchaser of interests in the Class A Variable Funding Certificates, and it is not to be construed as a loan or a commitment to make a loan by the Purchasing Class A Purchaser to the Transferor Class A Purchaser. The Transferor Class A Purchaser hereby confirms that the amount of the Class A Invested Amount is $_____ and its Percentage Interest thereof is ___%, which equals $_____ as of _____ , 20__. Upon and after the Transfer Effective Date (until further modified in accordance with the Certificate Purchase Agreement), the Noncommitted Purchaser Percentage or Committed Purchaser Percentage, as applicable of the Transferor Class A Purchaser and the Purchasing Class A Purchaser and the Commitment, if any, of the Transferor Class A Purchaser and the Purchasing Class A Purchaser shall be

as set forth in Schedule II to this Supplement.

(c) The Transferor Class A Purchaser has made arrangements with the Purchasing Class A Purchaser with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by the Transferor Class A Purchaser to the Purchasing Class A Purchaser of any fees heretofore received by the Transferor Class A Purchaser pursuant to the Certificate Purchase Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by the Purchasing Class A Purchaser to the Transferor Class A Purchaser of fees or interest received by the Purchasing Class A Purchaser pursuant to the Certificate Purchase Agreement or otherwise in respect of the Class A Variable Funding Certificates from and after the Transfer Effective Date.

(d) (i) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of the Transferor Class A Purchaser in respect of the Class A Variable Funding Certificates shall, instead, be payable to or for the account of the Transferor Class A Purchaser and the Purchasing Class A Purchaser, as the case may be, in accordance with their respective interests as reflected in this Supplement.

(ii) All interest, fees and other amounts that would otherwise accrue for the account of the Transferor Class A Purchaser from and after the Transfer Effective Date pursuant to the Certificate Purchase Agreement or in respect of the Class A Variable Funding Certificates shall, instead, accrue for the account of, and be payable to or for the account of, the Transferor Class A Purchaser and the Purchasing Class A Purchaser, as the case may be, in accordance with their respective interests as reflected in this Supplement. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by the Purchasing Class A Purchaser, the Transferor Class A Purchaser and the Purchasing Class A Purchaser will make appropriate arrangements for payment by the Transferor Class A Purchaser to the Purchasing Class A Purchaser of such amount upon receipt thereof from the Agent.

(e) Concurrently with the execution and delivery hereof, the Purchasing Class A Purchaser will deliver to the Transferor and the Trustee an executed Investment Letter in the form of Exhibit A to the Certificate Purchase Agreement.

(f) Each of the parties to this Supplement agrees and acknowledges that (i) at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Supplement, and (ii) the Agent shall apply each payment made to it under the Certificate Purchase Agreement, whether in its individual capacity or as Agent, in accordance with the provisions of the Certificate Purchase Agreement, as appropriate.

(g) By executing and delivering this Supplement, the Transferor Class A Purchaser and the Purchasing Class A Purchaser confirm to and agree with each other, the Administrative Agent and the Agent and the Class A Purchasers as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, the Transferor Class A Purchaser makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Certificate Purchase Agreement or the Pooling and Servicing Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Certificate Purchase Agreement or any other instrument or document furnished pursuant thereto; (ii) the Transferor Class A Purchaser makes no representation or warranty and assumes no responsibility with respect to the Trust, the financial condition of the Servicer, the Transferor or the Trustee, or the performance or observance by the Servicer, the Transferor or the Trustee of any of their respective obligations under the Certificate Purchase Agreement, the Pooling and Servicing Agreement or any other instrument or document furnished pursuant hereto; (iii) each Purchasing Class A Purchaser confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (iv) each Purchasing Class A Purchaser will,

independently and without reliance upon the Agent, the Transferor Class A Purchaser or any other Class A Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Certificate Purchase Agreement or the Pooling and Servicing Agreement; (v) each Purchasing Class A Purchaser appoints and authorizes the Agent and the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Certificate Purchase Agreement and the Pooling and Servicing Agreement as are delegated to the Agent or the Administrative Agent, as the case may be, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Section 7 of the Certificate Purchase Agreement; and (vi) each Purchasing Class A Purchaser agrees (for the benefit of the Transferor Class A Purchaser, the Agent, the Administrative Agent, the Class A Purchasers, the Trustee, the Servicer and the Transferor) that it will perform in accordance with their terms all of the obligations which by the terms of the Certificate Purchase Agreement are required to be performed by it as a Class A Purchaser.

(h) Schedule II hereto sets forth the revised Noncommitted Purchaser Percentage or the revised Committed Purchaser Percentage and Commitment of the Transferor Class A Purchaser, as applicable, the Noncommitted Purchaser Percentage or the Committed Purchaser Percentage, Commitment and Commitment Expiration Date of the Purchasing Class A Purchaser, as applicable, and the initial Investing Office of the Purchasing Class A Purchaser, as well as administrative information with respect to the Purchasing Class A Purchaser.

(i) This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
TRANSFER SUPPLEMENT

COMPLETION OF INFORMATION AND
SIGNATURES FOR TRANSFER SUPPLEMENT

Re: Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class A Purchasers party thereto and Bank One, NA (Main Office Chicago), as Agent and as Administrative Agent.

Item 1: Date of Transfer Supplement:

Item 2: Transferor Class A Purchaser:

Item 3: Purchasing Class A Purchaser:

Item 4: Signatures of Parties to Agreement:

---
as Transferor Class A Purchaser

By: _____
Name:
Title:

By: _____
Name:
Title:

as Purchasing Class A Purchaser

By: _____
Name:
Title:

By: _____
Name:
Title:

ACCEPTED BY:

BANK ONE, NA (MAIN OFFICE CHICAGO), as Agent

By: _____
Name:
Title:

SCHEDULE II TO
TRANSFER SUPPLEMENT

LIST OF INVESTING OFFICES, ADDRESSES
FOR NOTICES, ASSIGNED INTEREST,
PURCHASE PERCENTAGE AND PURCHASE PRICE

[Transferor Class A Purchaser]

A. Noncommitted Class A Purchaser: Yes/No

If applicable:

Noncommitted Purchaser Percentage:
Transferor Class A Purchaser
Noncommitted Purchaser Percentage
Prior to Sale: _____%

Noncommitted Purchaser Percentage Sold: _____%

Noncommitted Purchaser Percentage Retained: _____%

B. Committed Class A Purchaser: Yes/No

If applicable:

Committed Purchaser Percentage:
Transferor Class A Purchaser
Committed Purchaser Percentage
Prior to Sale: _____%

Committed Purchaser Percentage Sold: _____%

Committed Purchaser Percentage Retained: _____%

Commitment:
Transferor Class A Purchaser Commitment

Prior to Sale: $_____

Commitment Sold: $_____

Commitment Retained: $_____

C. Class A Invested Amount:
Transferor Class A Purchaser
Class A Invested Amount Prior to Sale: $_____

Class A Invested Amount Sold: $_____

Class A Invested Amount Retained: $_____

D. Purchase Percentage: _____%
[Purchasing Class A Purchaser]

A. Noncommitted Class A Purchaser: Yes/No

If applicable:

Initial Noncommitted Purchaser Percentage: _____%

B. Committed Class A Purchaser: Yes/No

If applicable:

Committed Purchaser Percentage: _____%

Commitment: $_____

Commitment Expiration Date: _____

C. Class A Invested Amount Owned Immediately

After Sale: $_____

Address for Notices:

- ----------

Investing Office:

- ----------

SCHEDULE III TO
TRANSFER SUPPLEMENT

Form of
TRANSFER EFFECTIVE NOTICE

To: [Name and address of
Transferor, Servicer, Trustee, the Transferor Class A
Purchaser and the Purchasing Class A Purchaser]

The undersigned, as Agent under the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class A Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent for the Class A Purchasers and as Administrative Agent thereunder, acknowledges receipt of five executed counterparts of a completed Transfer Supplement. [Note: attach copies of Schedules I and II from such Agreement.] Terms defined in such Supplement are used herein as therein defined.

Pursuant to such Supplement, you are advised that the Transfer Effective Date will be _____, 20__.

Very truly yours,

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent

By: _____
Name:
Title:

SCHEDULE IV TO
TRANSFER SUPPLEMENT

Form of
CONSENT OF TRANSFEROR

To: JPMorgan Chase Bank, as Trustee
Bank One, NA (Main Office Chicago), as Agent

The undersigned hereby consents to the transfer, as of the Transfer Effective Date, of a [Noncommitted Purchaser Percentage/Committed Purchaser Percentage] equal to ____% [representing a Commitment in the amount of $_____] and a Class A Invested Amount under the Prime Credit Card Master Trust II Class A Variable Funding Certificates, Series 2002-1, in the amount of $_____, by _____ to _____, pursuant to the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, FDS Bank, as Servicer, the Class A Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent and as Administrative Agent.

Very truly yours,

PRIME II RECEIVABLES
CORPORATION, as Transferor

By: _____
Name:
Title:

FDS BANK, as Servicer

By: _____
Name:
Title:

Dated: _____

cc: Purchasing Class A Purchaser

Exhibit 10.20

[EXECUTION COPY]

CLASS B CERTIFICATE PURCHASE AGREEMENT

Dated as of November 6, 2002

among

PRIME II RECEIVABLES CORPORATION,
as Transferor,

FDS BANK,
as Servicer,

THE CLASS B PURCHASERS PARTIES HERETO,

and

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent and Administrative Agent

<TABLE>
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LIST OF EXHIBITS

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EXHIBIT A..... Form of Investment Letter
EXHIBIT B..... Form of Joinder Supplement
EXHIBIT C..... Form of Transfer Supplement
</TABLE>

CLASS B CERTIFICATE PURCHASE AGREEMENT, dated as of November 6, 2002, by and among PRIME II RECEIVABLES CORPORATION, a Delaware corporation ("PRIME II RECEIVABLES CORPORATION"), as Transferor (the "TRANSFEROR"), FDS BANK ("FDSB"), a federal thrift institution organized and existing under the federal laws of the United States, successor in interest to FDS National Bank, as Servicer (the "SERVICER"), the CLASS B PURCHASERS from time to time parties hereto and BANK ONE, NA (MAIN OFFICE CHICAGO), a banking corporation organized under the federal laws of the United States of America, as Agent for the Class B Purchasers (in such capacity, the "AGENT") and as Administrative Agent for the Class A Purchasers and the Class B Purchasers (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:

WHEREAS, Prime II Receivables Corporation, as Transferor, FDSB, as Servicer, and the Trustee are parties to a certain Pooling and Servicing Agreement, dated as of January 22, 1997 (as the same may from time to time be amended or otherwise modified, the "MASTER POOLING AND SERVICING AGREEMENT"), and a Series 2002-1 Variable Funding Supplement thereto, dated as of November 6, 2002 (as the same may from time to time be amended or otherwise modified, the "SUPPLEMENT" and, together with the Master Pooling and Servicing Agreement, the "POOLING AND SERVICING AGREEMENT");

WHEREAS, the Trust proposes to issue its Class A Variable Funding Certificates, Series 2002-1 (the "CLASS A CERTIFICATES") and its Class B Variable Funding Certificates, Series 2002-1 (the "CLASS B CERTIFICATES" and, together with the Class A Certificates, the "SERIES 2002-1 VARIABLE FUNDING CERTIFICATES") pursuant to the Pooling and Servicing Agreement;

WHEREAS, the Trust also proposes to issue its Class C Certificates, Series 2002-1 (the "CLASS C CERTIFICATES" and, together with the Series 2002-1 Variable Funding Certificates, the "SERIES 2002-1 CERTIFICATES") pursuant to the Pooling and Servicing Agreement; and

WHEREAS, the Class B Purchasers are willing to purchase the Class B Certificates on the Closing Date and are willing (but, in the case of each Noncommitted Class B Purchaser, are not obligated) from time to time thereafter to purchase VFC Additional Class B Invested Amounts thereunder on the terms and conditions provided for herein;

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

SECTION 1. DEFINITIONS

1.1 DEFINITIONS. All capitalized terms used herein as defined terms and not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Certificates and to no other Series of Certificates issued by the Trust.

"ACCRUAL PERIOD" means each period from (and including) each Distribution Date to (but excluding) the following Distribution Date, provided that the initial Accrual Period hereunder means the period from (and including) the date of the purchase of the Class B Certificate hereunder to (but excluding) the following Distribution Date.

"ACT" has the meaning specified in subsection 2.7(a) of this Agreement.

"ADJUSTED EURODOLLAR RATE" for any Fixed Period shall mean the rate per annum equal to the sum of (i) (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in United States dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business

Days prior to the first day of the relevant Fixed Period, and having a maturity equal to such Fixed Period, provided that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable Adjusted Eurodollar Rate for the relevant Fixed Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in United States dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Fixed Period, and having a maturity equal to such Fixed Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable Adjusted Eurodollar Rate for the relevant Fixed Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in United States dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Fixed Period, in the approximate amount to be funded at the Adjusted Eurodollar Rate and having a maturity equal to such Fixed Period, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Fixed Period. The Adjusted Eurodollar Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"AFFECTED PARTY" shall mean, with respect to any Structured Purchaser, any Support Bank of such Structured Purchaser.

"AGENT" shall mean Bank One, in its capacity as Agent for the Class B Purchasers, or any successor agent hereunder.

"AGENT BASE RATE" shall mean, for any day, the rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"AGREEMENT" shall mean this Class B Certificate Purchase Agreement, as amended, modified or otherwise supplemented from time to time.

"ALTERNATE RATE" shall mean, for any Fixed Period with respect to the portion of the Class B Investor Principal Balance owed to a Committed Class B Purchaser or Support Bank, an interest rate per annum equal to 0.75% per annum above the Adjusted

Eurodollar Rate for such Fixed Period; PROVIDED, HOWEVER, that in the case of (i) any Fixed Period on or prior to the date on which such Committed Class B Purchaser or Support Bank shall have notified the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful for such Committed Class B Purchaser (or, in the case of a Structured Purchaser, for any Support Bank or other entity providing funds to such Structured Purchaser at an interest rate determined by reference to the Adjusted Eurodollar Rate or a similar rate) to fund such portion of the Class B Investor Principal Balance at the Alternate Rate described above (and such Committed Class B Purchaser or Support Bank shall not have subsequently notified the Agent that such circumstances no longer exist), (ii) any Fixed Period of less than 30 days, or (iii) any Fixed Period applicable to a portion of the Class B Investor Principal Balance of less than $100,000 in the aggregate owed to all Class B Purchasers, the "ALTERNATE RATE" for such Fixed Period for such Committed Class B Purchaser or Support Bank shall be a variable interest rate per annum equal to the Agent Base Rate from time to time in effect during such Fixed Period.

"ASSIGNEE" and "ASSIGNMENT" have the respective meanings specified in subsection 8.1(e) of this Agreement.

"BANK ONE" shall mean Bank One, NA (Main Office Chicago), a banking corporation organized under the federal laws of the United States of America.

"BUSINESS DAY" means any day on which (i) banks are not authorized or required to close in New York City or Chicago, Illinois and The Depository Trust Company of New York is open for business and (ii) if such term is used in connection with the Adjusted Eurodollar Rate, dealings in dollar deposits are carried out in the London interbank market.

"CLASS B CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"CLASS B FEE LETTER" shall mean that certain letter agreement, designated therein as the Series 2002-1 Class B Fee Letter and dated as of the date hereof, among the Agent, the Transferor and the Servicer, as such letter agreement may be amended or otherwise modified from time to time.

"CLASS B INVESTOR PRINCIPAL BALANCE" shall mean, when used with respect to any Business Day, an aggregate amount equal to (a) the Class B Initial Invested Amount, PLUS (b) the aggregate VFC Additional Class B Invested Amounts purchased by the Class B Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement, MINUS (c) the aggregate amount of principal payments made to the Class B Certificateholders prior to such Business Day.

"CLASS B OWNERS" shall mean, with respect to any Class B Certificate held by the Agent hereunder for the benefit of Class B Purchasers, the owners of the Class B Invested Amount represented by such Class B Certificate as reflected on the books of the Agent in accordance with this Agreement.

"CLASS B PROGRAM FEE" shall mean the ongoing fees payable to the Agent or the Class B Purchasers in the amounts and on the dates set forth in the Class B Fee Letter.

"CLASS B REPAYMENT AMOUNT" shall mean the sum of all amounts payable with respect to the principal amount of the Class B Certificates and interest on the Class B Certificates and all other amounts (other than amounts payable pursuant to subsection 2.3(b) or (c), the last sentence of subsection 2.6(a) and Section 2.7 hereof unless such amounts are not paid by the Servicer pursuant to this Agreement) owing to the Class B Purchasers hereunder.

"CLASS C CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"CLOSING DATE" shall mean November 6, 2002.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor law.

"COMMERCIAL PAPER" means promissory notes of a Structured Purchaser issued by the Structured Purchaser in the commercial paper market.

"COMMERCIAL PAPER COSTS" means, for each day, the sum of (i) the discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of breakage funding costs payable to the Structured Purchaser pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if the Transferor shall request any VFC Additional Class B Invested Amount during any period of time determined by the Agent in its sole discretion to result in incrementally higher Commercial Paper Costs applicable to such VFC Additional Class B Invested Amount, the principal of any such VFC Additional Class B Invested Amount shall, during such period, be deemed to be funded by the Structured Purchaser in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional Commercial Paper Costs applicable only to such special pool and charged each day during such period against such VFC Additional Class B Invested Amount.

"COMMITTED CLASS B PURCHASER" shall mean (i) Bank One, (ii) any other Class B Purchaser which has a Commitment, as set forth, in the case of any initial Class B Purchaser, on its signature page hereto, and otherwise, in its

respective Joinder Supplement and (iii) any Assignee of such Class B Purchaser to the extent of the portion of such Commitment assumed by such Assignee pursuant to its respective Transfer Supplement.

"COMMITMENT" shall mean, for any Committed Class B Purchaser, the maximum amount of such Committed Class B Purchaser's commitment to purchase a portion the

Class B Invested Amount, as set forth, in the case of any initial Class B Purchaser, on its signature page hereto, and otherwise, in the Joinder Supplement or the Transfer Supplement by which such Committed Class B Purchaser became a party to this Agreement or assumed the Commitment (or a portion thereof) of another Committed Class B Purchaser, as such amount may be adjusted from time to time pursuant to Transfer Supplement(s) executed by such Committed Class B Purchaser and its Assignee and delivered pursuant to Section 8.1 of this Agreement or pursuant to Section 2.2 of this Agreement.

"COMMITMENT EXPIRATION DATE" shall mean, for a Committed Class B Purchaser, the date set forth, in the case of any initial Class B Purchaser, on its signature page hereto, and otherwise, in the Joinder Supplement or the Transfer Supplement by which such Committed Class B Purchaser became a party to this Agreement or assumed the Commitment (or a portion thereof) of another Committed Class B Purchaser, as such date may be extended from time to time by mutual agreement of all Class B Purchasers, the Agent and the Transferor.

"COMMITMENT PERCENTAGE" shall mean, for a Committed Class B Purchaser, such Class B Purchaser's Commitment as a percentage of the aggregate Commitments of all Committed Class B Purchasers.

"DEFAULTING PURCHASER" has the meaning specified in subsection 2.1(e) of this Agreement.

"DISCOUNT RATE" shall mean the Alternate Rate or the Agent Base Rate, as applicable.

"DOWNGRADED PURCHASER" has the meaning specified in subsection 8.1(k) of this Agreement.

"DUE PERIOD" shall mean, with respect to a Distribution Date, (i) as to a Structured Purchaser, the Accrual Period immediately preceding such Distribution Date and (ii) as to a Support Bank, the entire Fixed Period in which such Distribution Date occurs.

"ELIGIBLE ASSIGNEE" shall mean Bank One and, with the consent of the Agent and the Transferor (such consent not to be unreasonably withheld), each other liquidity provider or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent.

"EXCLUDED TAXES" has the meaning specified in subsection 2.5(a) of this Agreement.

"FDSB" has the meaning specified in the preamble to this Agreement.

"FIXED PERIOD" shall mean with respect to any Class B Purchaser and any portion of the Class B Investor Principal Balance owed to such Class B Purchaser:

(a) if Yield for such Class B Investor Principal Balance is calculated on the basis of the Adjusted Eurodollar Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and Transferor, commencing on a Business

Day selected by the Transferor or the Agent pursuant to this Agreement. Such Fixed Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Fixed Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Fixed Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Class B Investor Principal Balance is calculated on the basis of the Agent Base Rate, a period commencing on a Business Day selected by the Transferor and agreed to by the Agent, provided no such period shall exceed one month.

If any Fixed Period would end on a day which is not a Business Day, such Fixed Period shall end on the next succeeding Business Day, provided, however, that in the case of Fixed Periods corresponding to the Adjusted Eurodollar Rate, if such next succeeding Business Day falls in a new month, such Fixed Period shall end on the immediately preceding Business Day. In the case of any Fixed Period for any Class B Investor Principal Balance which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Fixed Period shall end on the Termination Date. The duration of each Fixed Period which commences after the Termination Date shall be of such duration as selected by the Agent.

"GOVERNMENTAL AUTHORITY" shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"INDEMNITEE" has the meaning specified in subsection 2.7(a) of this Agreement.

"INDEMNIFYING PARTY" has the meaning specified in subsection 2.7(b) of this Agreement.

"INVESTING OFFICE" shall mean for Bank One and Jupiter, the office designated for Bank One in Section 9.2 of this Agreement, and, for any other Class B Purchaser, the office of any Class B Purchaser (if any) designated as such, in the case of any other initial Class B Purchaser, in its Joinder Supplement and, in the case of any Assignee, in the related Transfer Supplement, and thereafter, such other office of such Class B Purchaser or such Assignee which shall be a beneficial holder of a portion of the Class B Certificate as may be designated in writing to the Agent, the Transferor, the Servicer and the Trustee by such Class B Purchaser or Assignee.

"INVESTMENT LETTER" has the meaning specified in subsection 8.1(a) of this Agreement.

"JOINDER SUPPLEMENT" has the meaning specified in subsection 2.2(d) of this Agreement.

"JUPITER" shall mean Jupiter Securitization Corporation, a corporation organized under the laws of the State of Delaware.

"LIQUIDITY AGREEMENT" shall mean any agreement entered into by any Support Bank providing for the issuance of one or more letters of credit for the account of any Structured Purchaser, the issuance of one or more surety bonds for which any Structured Purchaser is obligated to reimburse the applicable Support Bank for any drawings thereunder, the sale by any Structured Purchaser to any Support Bank of an interest in any Class B Certificate and/or the making of loans and/or other extensions of credit to any Structured Purchaser in connection with such Structured Purchaser's securitization program (whether for liquidity or credit enhancement support), together with any letter of credit, surety bond or other instrument issued thereunder.

"LIQUIDATION DAY" shall mean, for any Class B Purchaser and any portion of the Class B Investor Principal Balance owed to such Purchaser, any day other than the last day of such Class B Purchaser's Fixed Period applicable to such portion of the Class B Investor Principal Balance (without taking into account any shortened duration of such Fixed Period pursuant to clause (iv) of the definition thereof), on which a reduction of such portion of the Class B Investor Principal Balance occurs.

"LIQUIDATION FEE" shall mean, for any Class B Purchaser and for any Liquidation Day, the amount, if any, by which (i) the additional Yield (calculated without taking into account any Liquidation Fee) which would have accrued during the current Fixed Period on the portion of the Class B Investor Principal Balance owed to such Purchaser which is reduced on such day, exceeds

(ii) the income, if any, received by such Class B Purchaser from investing the proceeds of such reduction of the Class B Investor Principal Balance.

"LIQUIDITY PUT" shall mean, with respect to a Structured Purchaser, that such Structured Purchaser, pursuant to its Liquidity Agreement, has sold to one or more Support Banks an interest in such Structured Purchaser's interest in the Class B Certificates funded or maintained by such Structured Purchaser at the time of such sale.

"MASTER POOLING AND SERVICING AGREEMENT" has the meaning specified in the recitals to this Agreement.

"MOODY'S" shall mean Moody's Investors Service, Inc.

"NONCOMMITTED CLASS B PURCHASER" shall mean Jupiter and any other Class B Purchaser which is not a Committed Class B Purchaser.

"NONCOMMITTED PURCHASER PERCENTAGE" shall mean for each Class B Purchaser which is not a Committed Class B Purchaser, the percentage set forth, in the case of the initial Noncommitted Class B Purchaser, on its signature page hereto, and otherwise in its Joinder Supplement or the Transfer Supplement by which such Class B Purchaser became a party to this Agreement, as such percentage may be adjusted from time to time pursuant to Transfer Supplement(s) executed by such Class B Purchaser and any Assignee and delivered pursuant to Section 8.1 of this Agreement.

"NONDEFAULTING PURCHASER" has the meaning specified in subsection 2.1(e) of this Agreement.

"PARTICIPANT" has the meaning specified in subsection 8.1(d) of this Agreement.

"PARTICIPATION" has the meaning specified in subsection 8.1(d) of the Agreement.

"PERCENTAGE INTEREST" shall mean, for a Class B Purchaser, (a) the sum of (i) the portion of the Class B Initial Invested Amount (if any) purchased by such Class B Purchaser, PLUS (ii) the aggregate VFC Additional Class B Invested Amounts (if any) purchased by such Class B Purchaser through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement, PLUS (iii) any portion of the Class B Investor Principal Balance acquired by such Class B Purchaser as an Assignee from another Class B Purchaser pursuant to a Transfer Supplement executed and delivered pursuant to Section 8.1 of this Agreement, MINUS (iv) the aggregate amount of principal payments made to such Class B Purchaser prior to such Business Day, MINUS (v) any portion of the Class B Investor Principal Balance assigned by such Class B Purchaser to an Assignee pursuant to a Transfer Supplement executed and delivered pursuant to Section 8.1 of this Agreement, as a percentage of (b) the aggregate Class B Investor Principal Balance.

"POOLED COMMERCIAL PAPER" means Commercial Paper notes of the Structured Purchaser subject to any particular pooling arrangement by such Structured Purchaser, but excluding Commercial Paper issued by such Structured Purchaser for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by such Structured Purchaser.

"POOLING AND SERVICING AGREEMENT" has the meaning specified in the recitals to this Agreement.

"PURCHASE DATE" shall mean the Closing Date and each date on which a purchase of a VFC Additional Class B Invested Amount is to occur in accordance with Section 6.15 of the Pooling and Servicing Agreement and Section 2.1 hereof.

"RATING AGENCY" shall mean each of Moody's and Standard & Poor's.

"REDUCTION AMOUNT" has the meaning specified in subsection 2.6(a) of this Agreement.

"REGULATORY CHANGE" shall mean, as to each Class B Purchaser, any change occurring after, in the case of Bank One and Jupiter, the Closing Date, and in the case of any other Class B Purchaser, the date of the execution and

delivery of the Joinder Supplement or the Transfer Supplement by which it became party to this Agreement; in the case of a Participant, the date on which its Participation became effective or, in the case of an Affected Party, the date it became such an Affected Party, in any (or the adoption after such date of any new):

(i) United States Federal or state law or foreign law applicable to such Class B Purchaser, Affected Party or Participant; or

(ii) regulation, interpretation, directive, guideline or request (whether or not having the force of law) applicable to such Class B Purchaser, Affected Party or Participant of any court or other judicial authority or any Governmental Authority charged with the interpretation or administration of any law referred to in clause (i) or of any fiscal, monetary or other authority or central bank having jurisdiction over such Class B Purchaser, Affected Party or Participant.

"RELATED DOCUMENTS" shall mean, collectively, this Agreement (including the Class B Fee Letter and all Joinder Supplements and Transfer Supplements), the Master Pooling and Servicing Agreement, the Supplement, the Series 2002-1 Certificates and the Receivables Purchase Agreement.

"REPLACEMENT PURCHASER" has the meaning specified in subsection 2.4(c) of this Agreement.

"REQUIRED CLASS B OWNERS" shall mean, at any time, Class B Purchasers having Percentage Interests aggregating at least 50.1%.

"REQUIRED CLASS B PURCHASERS" shall mean, at any time, Committed Class B Purchasers having Commitments aggregating at least 50.1% of the aggregate Commitments of all Committed Class B Purchasers.

"REQUIREMENT OF LAW" shall mean, as to any Person, any law, treaty, rule, directive or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether federal, state or local (including, without limitation, usury laws, the Federal Truth in Lending Act and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System).

"RESERVE ACCOUNT INCREASE NOTICE" shall mean a notice delivered by the Administrative Agent in accordance with Section 2.8 hereof.

"SERIES 2002-1 VARIABLE FUNDING CERTIFICATES" has the meaning specified in the recitals to this Agreement.

"SERVICER" has the meaning specified in the preamble to this Agreement.

"STANDARD & POOR'S" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"STRUCTURED PURCHASER" shall mean Jupiter and any other Class B Purchaser whose principal business consists of issuing commercial paper, medium term notes or other securities to fund its acquisition and maintenance of receivables, accounts, instruments, chattel paper, general intangibles and other similar assets or interests therein and which is required by any nationally recognized rating agency which is rating such securities to obtain from its principal debtors an agreement such as that set forth in subsection 9.12(b) of this Agreement in order to maintain such rating.

"SUPPLEMENT" has the meaning specified in the recitals to this Agreement.

"SUPPORT BANK" shall mean Bank One and any other bank or other financial institution in its respective capacity as an institution extending or having a commitment to extend funds to or for the account of any Structured Purchaser (including by agreement to purchase an assignment of, or participation in Class B Certificates) under a liquidity or credit support agreement which relates to this Agreement.

"TAXES" has the meaning specified in subsection 2.5(a) of this Agreement.

"TERMINATION DATE" shall mean the Amortization Period Commencement Date.

"TERMINATION EVENT" has the meaning specified in Section 2.8 hereof.

"TRANSFER" has the meaning specified in subsection 8.1(c) of this Agreement.

"TRANSFER SUPPLEMENT" has the meaning specified in subsection 8.1(e) of this Agreement.

"TRANSFEROR" has the meaning specified in the preamble to this Agreement.

"TRUST" shall mean the Prime Credit Card Master Trust II.

"TRUSTEE" shall mean JPMorgan Chase Bank, a banking corporation organized and existing under the laws of the State of New York, successor in interest to The Chase Manhattan Bank, in its capacity as Trustee under the Pooling and Servicing Agreement, together with its successors in such capacity.

"WRITTEN" or "IN WRITING" (and other variations thereof) shall mean any form of written communication or a communication by means of telex, telecopier device, telegraph or cable.

"YIELD" shall mean, for each Due Period, an amount equal to the product of the applicable Discount Rate multiplied by the Class B Invested Amount owing to the Committed Class B Purchasers for each day elapsed during such Due Period, on a basis of 360 days if the Discount Rate is the Adjusted Eurodollar Rate or 365 days or 366 days, as applicable, if the Discount Rate is the Agent Base Rate.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 PURCHASES. (a) On and subject to the terms and conditions of this Agreement, each Noncommitted Class B Purchaser which is a party hereto on the Closing Date, severally, agrees to acquire its Noncommitted Purchaser Percentage of the Class B Certificates on the Closing Date for a purchase price equal to its Noncommitted Purchaser Percentage of the Initial Class B Invested Amount, which shall not be less than $62,500, and each Committed Class B Purchaser which is a party hereto on the Closing Date, severally, agrees to acquire its Commitment Percentage of the Class B Certificates not so acquired by Noncommitted Class B Purchasers on the Closing Date for a purchase price equal to the portion of the Initial Class B Invested Amount represented thereby on the Closing Date. Such purchase price shall be made

available to the Transferor, subject to the satisfaction of the conditions specified in Section 3 hereof, at or prior to 12:00 noon Chicago time on the Closing Date, at an account of the Transferor specified in writing by the Transferor to the Agent in funds immediately available to the Transferor. The Class B Purchasers hereby direct that the Class B Certificates be registered in the name of the Agent, on behalf of the Class B Owners from time to time hereunder.

(b) On and subject to the terms and conditions of this Agreement and prior to the Termination Date, (i) each Noncommitted Class B Purchaser may purchase its Noncommitted Purchaser Percentage of any VFC Additional Class B Invested Amount offered for purchase by the Transferor pursuant to Section 6.15 of the Pooling and Servicing Agreement in an amount of not less than $62,500, and (ii) each Committed Class B Purchaser, severally, agrees to purchase a portion of such VFC Additional Class B Invested Amount which is not purchased by Noncommitted Class B Purchasers pursuant to clause (i) in an amount equal to the lesser of (A) its Commitment Percentage thereof, or (B) the excess of its Commitment over its Percentage Interest of the Class B Investor Principal Balance (determined prior to giving effect to such purchase), in either case for a purchase price equal to the VFC Additional Class B Invested Amount so purchased. Such purchase price shall be made available to the Trustee

in immediately available funds, for the account of the Transferor, subject to the satisfaction of the conditions specified in Section 3 hereof, at or prior to 12:00 noon Chicago time on the applicable Purchase Date specified pursuant to subsection 2.1(c), for deposit in the Proceeds Account held by the Trustee pursuant to the Supplement. Each Noncommitted Class B Purchaser which is a Structured Purchaser confirms by becoming a party to this Agreement that, subject to the terms and conditions of this Agreement, it currently intends (but is under no obligation) to purchase its Noncommitted Purchaser Percentage of any VFC Additional Class B Invested Amount offered for purchase by the Transferor pursuant to Section 6.15 of the Pooling and Servicing Agreement to the extent that, at the time of such purchase, it is permitted and able in the ordinary course of its business to issue commercial paper which is rated not lower than the respective ratings assigned by Moody's and Standard & Poor's on the date on which such Structured Purchaser became a Class B Purchaser (without increasing or otherwise modifying any letter of credit or other enhancement provided to such Structured Purchaser or any liquidity support provided to such Structured Purchaser by Affected Parties) in sufficient amounts fully to fund such purchase.

(c) (i) The purchase of the Initial Class B Invested Amount shall be made on prior notice from the Transferor to the Agent received by the Agent not later than 6:00 a.m. Chicago time on the Closing Date, and each purchase of any VFC Additional Class B Invested Amount on the applicable Purchase Date shall be made on prior notice from the Transferor to the Agent received by the Agent not later than 3:00 p.m. Chicago time on the Business Day immediately preceding such Purchase Date. Each such notice shall be irrevocable and shall specify (A) the aggregate VFC Additional Class B Invested Amount to be purchased, (B) the applicable Purchase Date (which shall be a Business Day), and (C) the desired duration of the initial Fixed Period, if applicable, for the Class B Investor Principal Balance of each applicable Purchaser. The Agent shall promptly forward a copy of such notice to each Class B Purchaser. In the case of the purchase of a VFC Additional Class B Invested Amount, each Noncommitted Class B Purchaser shall notify the Agent by 4:00 p.m., Chicago time, on the Business Day immediately preceding the applicable Purchase Date whether it has determined to make such purchase and, if so, whether all of the terms specified by the Transferor are acceptable to such Noncommitted Class B Purchaser. In the event that a Noncommitted Class B Purchaser

shall not have timely provided such notice, it shall be deemed to have determined not to make such purchase. The Agent shall notify the Transferor and each Committed Class B Purchaser on or prior to 6:00 a.m., Chicago time, on the applicable Purchase Date of whether each Noncommitted Class B Purchaser has so determined to purchase its share of such VFC Additional Class B Invested Amount and, in the event that Noncommitted Class B Purchasers have not determined to purchase the entire VFC Additional Class B Invested Amount, the Agent shall specify in such notice (A) the portion of the VFC Additional Class B Invested Amount to be purchased by each Committed Class B Purchaser, (B) the applicable Purchase Date (which shall be a Business Day), and (C) the duration of the initial Fixed Period for the Class B Investor Principal Balance of each Committed Class B Purchaser.

(ii) The Discount Rate and related Fixed Periods for the Class B Invested Amounts funded or maintained by the Support Bank shall be selected as follows: Transferor shall by 11:00 a.m. (Chicago time), at least three (3) Business Days prior to the commencement of any Fixed Period with respect to which the Alternate Rate is applicable as a new Discount Rate and, at least one (1) Business Day prior to the commencement of any Fixed Period with respect to which the Agent Base Rate is applicable as a new Discount Rate, give the Agent irrevocable notice of the new Discount Rate and the length of the associated Fixed Period. Until Transferor gives notice to the Agent of another Discount Rate, the initial Discount Rate for any Class B Invested Amount transferred to the Support Bank shall be the Agent Base Rate. If the Support Bank acquires by assignment from Jupiter any Class B Invested Amount, such Class B Invested Amount shall be deemed to be allocated to a new Fixed Period commencing on the date of any such assignment.

(iii) Commercial Paper Costs will accrue each day on a pro rata basis, based upon the percentage share the Class B Investor Principal Balance represents in relation to all assets held by the

Structured Purchaser and funded substantially with Pooled Commercial Paper.

(d) In no event may the Transferor offer any VFC Additional Class B Invested Amount for purchase hereunder or under Section 6.15 of the Pooling and Servicing Agreement, nor shall any Committed Class B Purchaser be obligated to purchase any VFC Additional Class B Invested Amount, to the extent that such VFC Additional Class B Invested Amount, when aggregated with the Class B Investor Principal Balance determined prior to giving effect to the issuance thereof, would exceed the aggregate Commitments.

(e) In the event that one or more Committed Class B Purchasers (the "DEFAULTING PURCHASERS") fails to fund its Committed Percentage of any purchase of a VFC Additional Class B Invested Amount by 12:00 p.m. noon, Chicago time, on the applicable Purchase Date and the Servicer shall have notified the Agent of such failure by not later than 12:30 p.m., Chicago time, on such Purchase Date, the Agent shall so notify each of the other Committed Class B Purchasers (the "NONDEFAULTING PURCHASERS") not later than 1:30 p.m., Chicago time, on such Purchase Date, and each Nondefaulting Purchaser shall, subject to the satisfaction of the conditions specified in Section 3 hereof, purchase a portion of the aggregate VFC Additional Class B Invested Amount which was to be purchased by the

Defaulting Purchasers equal to the lesser of (i) its Commitment Percentage thereof as a percentage of the aggregate Commitment Percentages of all Nondefaulting Purchasers, and (ii) the excess of its Commitment over its Percentage Interest of the Class B Investor Principal Balance (determined prior to giving effect to such purchase), in either case for a purchase price equal to the VFC Additional Class B Invested Amount so purchased, by making such purchase price available to the Trustee for the account of the Transferor at or prior to 4:00 p.m., Chicago time, on such Purchase Date for deposit in the Proceeds Account in immediately available funds. No such purchase by Nondefaulting Purchasers shall relieve any Defaulting Purchaser of its obligations to make purchases hereunder, and each Defaulting Purchaser shall from and after the applicable Purchase Date be obligated to purchase the portion of any VFC Additional Class B Invested Amount which such Defaulting Purchaser was required to purchase hereunder and which was purchased by a Nondefaulting Purchaser from such Nondefaulting Purchaser at a purchase price equal to (i) the portion of the Class B Investor Principal Balance represented thereby, plus (ii) accrued and unpaid interest thereon at the applicable Class B Certificate Rate, plus (iii) an amount calculated at the rate of 1.0% per annum from the applicable Purchase Date for such VFC Additional Class B Invested Amount through the date of such purchase by the Defaulting Purchaser. The Transferor shall have the right to replace any Defaulting Purchaser hereunder with a Replacement Purchaser, and the Agent, acting at the request of the Required Class B Purchasers, shall have the right to replace such Defaulting Purchaser with a Replacement Purchaser which is an Eligible Assignee or is otherwise reasonably acceptable to the Transferor; PROVIDED, that (x) such replacement shall not affect the Defaulting Purchaser's right to receive any amounts otherwise owed to it hereunder, when and as the same would have been due and payable without regard to such replacement (subject to the rights of the other parties hereto with respect to such Defaulting Purchaser), and (y) such Replacement Purchaser shall, concurrently with its becoming a Committed Class B Purchaser hereunder, purchase the portion of any VFC Additional Class B Invested Amount at the time required to be purchased by the Defaulting Purchaser pursuant to the preceding sentence for a purchase price equal to (i) the portion of the Class B Investor Principal Balance represented thereby, plus (ii) accrued and unpaid interest thereon at the applicable Class B Certificate Rate; PROVIDED FURTHER, that upon any such replacement and purchase by a Replacement Purchaser, any amounts owing to Nondefaulting Purchasers by such Defaulting Purchaser under clause (iii) of the preceding sentence shall remain an obligation of such Defaulting Purchaser.

(f) The Class B Certificates shall be paid as provided in the Pooling and Servicing Agreement. The Agent shall allocate each payment in reduction of the Class B Investor Principal Balance to the Class B Owners pro rata based on their respective Percentage Interests, and shall allocate each payment of Class B Interest for any Business Day to the Class B Owners pro rata based on the Yield or Commercial Paper Costs, as applicable, on such Class B Owner's portion of the Class B Investor Principal Balance for such Business Day. Amounts so allocated by the Agent shall be distributed by the Agent to the respective Class B Owners when and as received by the Agent from the Trust.

2.2 REDUCTIONS AND INCREASES OF COMMITMENTS. (a) At any time the Transferor may, upon at least five Business Days' prior written notice to the Agent, terminate in whole or reduce in part the portion of the Commitments which exceed the then outstanding Class B Investor Principal Balance (after adjustments thereto occurring on the date of such termination or reduction). Each such partial reduction shall be in an aggregate amount of

$1,250,000 or integral multiples thereof. On the Termination Date, the aggregate Commitments shall automatically reduce to an amount equal to the Class B Investor Principal Balance on such day, and on each Business Day thereafter shall be further reduced by an amount equal to the reduction in the Class B Investor Principal Balance (if any) on such day. Reductions of the aggregate Commitments pursuant to this subsection 2.2(a) shall be allocated to the pro rata to the Commitments of each Committed Class B Purchaser based on its respective Commitment Percentage.

(b) The Transferor may, upon at least two Business Days' prior written notice to the Agent, terminate in whole or reduce in part the Commitment of any Defaulting Purchaser or Downgraded Purchaser to an amount not less than such Class A Purchaser's Percentage Interest of the Class A Investor Principal Balance. Each such partial reduction shall be in an aggregate amount of $125,000 or integral multiples thereof. No such termination of reduction shall relieve such Defaulting Purchaser of its obligations to Nondefaulting Purchasers pursuant to subsection 2.1(e) hereof.

(c) The aggregate Commitments of the Committed Class B Purchasers may be increased from time to time through the increase of the Commitment of one or more Committed Class B Purchasers; PROVIDED, HOWEVER, that no such increase shall have become effective unless (i) the Agent and the Transferor shall have given their written consent thereto, (ii) such increasing Committed Class B Purchaser shall have entered into an appropriate amendment or supplement to this Agreement reflecting such increased Commitment and (iii) such conditions, if any, as the Agent shall have required in connection with its consent (including, without limitation, the delivery of legal opinions with respect to such Committed Class B Purchaser, the agreement of such Committed Class B Purchaser to become a Support Bank for one or more Structured Purchasers having a support commitment corresponding to its Commitment hereunder and approvals from the Rating Agency) shall have been satisfied. The Transferor may also increase the aggregate Commitments of the Committed Class B Purchasers from time to time by adding additional Committed Class B Purchasers in accordance with subsection 2.2(d).

(d) Subject to the provisions of subsections 8.1(a) and 8.1(b) applicable to initial purchasers of Class B Certificates, a Person having short-term credit ratings of not lower than P-1 from Moody's and A-1 from Standard & Poor's may from time to time with the written consent of the Agent and the Transferor become a party to this Agreement as an initial or an additional Noncommitted Class B Purchaser or an initial or an additional Committed Class B Purchaser by (i) delivering to the Transferor an Investment Letter and (ii) entering into an agreement substantially in the form attached hereto as EXHIBIT B hereto (a "JOINDER SUPPLEMENT"), with the Agent and the Transferor, acknowledged by the Servicer, which shall specify (A) the name and address of such Person for purposes of Section 9.2 hereof, (B) whether such Person will be a Noncommitted Class B Purchaser or Committed Class B Purchaser and, if such Person will be a Committed Class B Purchaser, its Commitment, and (C) the other information provided for in such form of Joinder Supplement. Upon its receipt of a duly executed Joinder Supplement, the Agent shall on the effective date determined pursuant thereto give notice of such effectiveness to the Transferor, the Servicer and the Trustee, and the Servicer will provide notice thereof to each Rating Agency (if required). If, at the time the effectiveness of the Joinder Supplement for an additional Committed Class B Purchaser, the other Committed

Class B Purchasers are Class B Owners, it shall be a condition to such effectiveness that such additional Committed Class B Purchaser purchase from each other Class B Purchaser an interest in the Class B Certificates in an amount equal to (i) such other Class B Purchaser's Percentage Interest of the Class B Investor Principal Balance, times (ii) a fraction, the numerator of

which equals the Commitment of such additional Class B Purchaser, and the denominator of which equals the aggregate Commitments of the Class B Purchasers (determined after giving effect to the additional Commitment of the additional Class B Purchaser as set forth in such Joinder Supplement), for a purchase price equal to the portion of the Class B Investor Principal Balance purchased.

2.3 FEES, EXPENSES, PAYMENTS, ETC. (a) Subject to the provisions of subsection 9.12(a) hereof, the Transferor agrees to pay to the Agent for the account of the Class B Purchasers the fees set forth in the Class B Fee Letter at the times specified therein.

(b) Subject to the provisions of subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, shall be obligated to pay on demand to (i) the Agent and the initial Class B Purchasers all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including any requested amendments, waivers or consents of any of the Related Documents) of this Agreement, and the other documents to be delivered hereunder or in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent and each of the initial Class B Purchasers with respect thereto and (ii) the Agent and each Class B Purchaser, all reasonable costs and expenses, if any, in connection with the enforcement of any of the Related Documents, and the other documents delivered thereunder or in connection therewith.

(c) Subject to the provisions of subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, shall be obligated to pay on demand any and all stamp and other taxes (other than Taxes covered by Section 2.5 and Excluded Taxes) and fees payable in connection with the execution, delivery, filing and recording of this Agreement, the Class B Certificates, any of the other Related Documents or the other documents and agreements to be delivered hereunder and thereunder, and agree to save each Class B Purchaser and the Agent harmless from and against any liabilities with respect to or resulting from any delay by the Transferor or FDSB in paying or omission to pay such taxes and fees.

(d) Yield calculated by reference to the Adjusted Eurodollar Rate shall be calculated on the basis of a 360-day year for the actual days elapsed. Any Yield or interest accruing at the Agent Base Rate shall be calculated on the basis of a 365- or 366-day year, as applicable, for the actual days elapsed. Fees or other periodic amounts payable hereunder shall be calculated, unless otherwise specified in the Class B Fee Letter, on the basis of a 360-day year and for the actual days elapsed.

(e) Each determination of Yield and Commercial Paper Costs by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Class B Purchasers, the Transferor, the Servicer and the Trustee in the absence of manifest error.

(f) All payments to be made hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 1:30 p.m., Chicago time, on the due date thereof to the Agent's account specified in subsection 9.2(b) hereof, in United States dollars and in immediately available funds. Notwithstanding anything herein to the contrary, if any payment due hereunder becomes due and payable on a day other than a Business Day, the payment date thereof shall be extended to the next succeeding Business Day and interest shall accrue thereon at the applicable rate during such extension. To the extent that (i) the Trustee, FDSB, the Transferor or the Servicer makes a payment to the Agent or a Class B Purchaser or (ii) the Agent or a Class B Purchaser receives or is deemed to have received any payment or proceeds for application to an obligation, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy or insolvency law, state or Federal law, common law, or for equitable cause, then, to the extent such payment or proceeds are set aside, the obligation or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received or deemed received by the Agent or the Class B Purchaser, as the case may be.

(g) Subject to the terms and conditions of this Agreement and

the Supplement, the Transferor may decrease the Class B Investor Principal Balance in whole or in part on any Business Day by giving the Agent prior written notice of such decrease no later than 3:00 p.m. (Chicago time) on (i) the Business Day immediately preceding the Business Day on which such decrease shall occur with respect to decreases of less than $25,000,000 and (ii) the second Business Day immediately preceding the Business Day on which such decrease shall occur with respect to decreases equal to or greater than $25,000,000.

2.4 REQUIREMENTS OF LAW. (a) In the event that any Class B Purchaser shall have reasonably determined that any Regulatory Change shall:

(i) subject such Class B Purchaser to any tax of any kind whatsoever with respect to this Agreement, its Commitment or its beneficial interest in the Class B Certificates, or change the basis of taxation of payments in respect thereof (except for Taxes covered by Section 2.5 and taxes included in the definition of Excluded Taxes in subsection 2.5(a) and changes in the rate of tax on the overall net income of such Class B Purchaser); or

(ii) impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, such Class B Purchaser;

and the result of any of the foregoing is to increase the cost to such Class B Purchaser, by an amount which such Class B Purchaser, in its reasonable judgment, deems to be material, of maintaining its Commitment or its beneficial interest in the Class B Certificates or to reduce any amount receivable in respect thereof, THEN, in any such case, after submission by such Class B Purchaser to the Agent of a written request therefor and the submission by the Agent to the Transferor, the Trustee and the Servicer of such written request therefor, (subject to subsection

9.12(a) hereof) the Transferor shall pay to the Agent for the account of such Class B Purchaser any additional amounts necessary to compensate such Class B Purchaser for such increased cost or reduced amount receivable, together with interest on each such amount from the day which is ten Business Days after the date such request for compensation under this subsection 2.4(a) is received by the Transferor until payment in full thereof (after as well as before judgment) at the Agent Base Rate in effect from time to time.

(b) In the event that any Class B Purchaser shall have reasonably determined that any Regulatory Change regarding capital adequacy has the effect of reducing the rate of return on such Class B Purchaser's capital or on the capital of any corporation controlling such Class B Purchaser as a consequence of its obligations hereunder or its maintenance of its Commitment or its beneficial interest in the Class B Certificates to a level below that which such Class B Purchaser or such corporation could have achieved but for such Regulatory Change (taking into consideration such Class B Purchaser's or such corporation's policies with respect to capital adequacy) by an amount reasonably deemed by such Class B Purchaser to be material, THEN, from time to time, after submission by such Class B Purchaser to the Agent of a written request therefor and submission by the Agent to the Transferor and the Servicer of such written request therefor, (subject to subsection 9.12(a) hereof) the Transferor shall pay to the Agent for the account of such Class B Purchaser such additional amount or amounts as will compensate such Class B Purchaser for such reduction, together with interest on each such amount from the day which is ten Business Days after the date such request for compensation under this subsection 2.4(b) is received by the Transferor until payment in full thereof (after as well as before judgment) at the Agent Base Rate in effect from time to time.

(c) Each Class B Purchaser agrees that it shall use its reasonable efforts to reduce or eliminate any claim for compensation pursuant to subsections 2.4(a) and 2.4(b), including but not limited to designating a different Investing Office for its Class B Certificates (or any interest therein) if such designation will avoid the need for, or reduce the amount of, any increased amounts referred to in subsection 2.4(a) or 2.4(b) and will not, in the reasonable opinion of such Class B Purchaser, be disadvantageous to such Class B Purchaser or inconsistent with its policies or result in an unreimbursed

cost or expense to such Class B Purchaser or in an increase in the aggregate amount payable under both subsections 2.4(a) and 2.4(b). If any increased amounts referred to in subsection 2.4(a) or 2.4(b) shall not be eliminated or reduced by the designation of a different Investing Office and payment thereof hereunder shall not be waived by such Class B Purchaser, the Transferor shall have the right to replace such Class B Purchaser hereunder with a new purchaser reasonably acceptable to the Agent ("REPLACEMENT PURCHASER") that shall succeed to the rights of such Class B Purchaser under this Agreement and such Class B Purchaser shall assign its beneficial interest in the Class B Certificates to such Replacement Purchaser in accordance with the provisions of Section 8.1, PROVIDED, that (i) such Class B Purchaser shall not be replaced hereunder with a new investor until such Class B Purchaser has been paid in full its Percentage Interest of the Class B Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon by such new investor and all other amounts (including all amounts owing under this Section 2.4) owed to it pursuant to this Agreement and (ii) if the Class B Purchaser to be replaced is the Agent or the Administrative Agent or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or

Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement; PROVIDED, FURTHER, that the Transferor shall provide such Class B Purchaser with an Officer's Certificate stating that such new investor is not subject to, or has agreed not to seek, such increased amount.

(d) Each Class B Purchaser claiming increased amounts described in subsection 2.4(a) or 2.4(b) will furnish to the Agent (together with its request for compensation) a certificate setting forth any actions taken by such Class B Purchaser to reduce or eliminate such increased amounts pursuant to subsection 2.4(c) and the basis and the calculation of the amount (in reasonable detail) of each request by such Class B Purchaser for any such increased amounts referred to in subsection 2.4(a) or 2.4(b), such certificate to be conclusive as to the factual information set forth therein absent manifest error.

2.5 TAXES. (a) All payments made to the Class B Purchasers or the Agent under this Agreement and the Pooling and Servicing Agreement (including all amounts payable with respect to the Class B Certificates) shall, to the extent allowed by law, be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (collectively, "TAXES"), excluding (i) income taxes (including, without limitation, branch profit taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on or measured by net income), franchise taxes (to the extent imposed in lieu of net income taxes), or any other taxes based on or measured by the net income of the Class B Purchaser, in each case imposed on the Class B Purchaser or the Agent as a result of a present or former connection between the Class B Purchaser or the Agent and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority therein or thereof (other than a connection that arises solely from the Class B Purchaser's or the Agent's receipt of a payment under or enforcement of its rights under this Agreement or the Pooling and Servicing Agreement, or the Agent's execution, delivery and performance of this Agreement or the Pooling and Servicing Agreement); (ii) any Taxes that would not have been imposed but for the failure of such Class B Purchaser or the Agent, as applicable, to comply with subsection 2.5(c) hereof; (iii) any Taxes imposed as a result of a change by any Class B Purchaser of the Investing Office (other than changes mandated by this Agreement, including subsection 2.4(c) hereof, or required by law); and (iv) any Taxes imposed as a result of the Transfer by any Class B Purchaser of its interest hereunder other than in accordance with Section 8.1 (all such excluded taxes being hereinafter called "EXCLUDED TAXES"). If any Taxes, other than Excluded Taxes, are required to be withheld from any amounts payable to a Class B Purchaser or the Agent hereunder or under the Pooling and Servicing Agreement, THEN: (i) the amounts payable to the Class B Purchaser or the Agent under this Agreement or the Pooling and Servicing Agreement shall be increased by the amount necessary so

that after making all required withholdings (including withholdings applicable to additional amounts payable under this subsection 2.5(a)), the Class B Purchaser or the Agent receives interest or any other amounts payable under this Agreement or the Pooling and Servicing Agreement at the rates or in the amounts specified in this Agreement and the Pooling and Servicing Agreement; (ii) the Servicer shall direct the Trustee to, and the Trustee shall, make such withholdings; and (iii) the Servicer shall direct the

Trustee to, and the Trustee shall, pay the full amount withheld to the relevant taxing authority in accordance with applicable law. Whenever any Taxes are payable on or with respect to amounts distributed to a Class B Purchaser or the Agent, as promptly as possible thereafter the Servicer shall send to the Agent, on behalf of such Class B Purchaser (if applicable), a certified copy of an original official receipt showing payment thereof or if a certified copy cannot be obtained, other evidence of payment reasonably acceptable to the Class B Purchaser or the Agent. If the Trustee, upon the direction of the Servicer, fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent, on behalf of such Class B Purchaser (if applicable), the required receipts or other required documentary evidence, subject to subsection 9.12(a), the Transferor shall pay to the Agent on behalf of such Class B Purchaser or for its own account, as applicable, any incremental Taxes, interest or penalties that may become payable by such Class B Purchaser or the Agent, as applicable, as a result of any such failure. If any increased amounts payable under this subsection 2.5(a) shall not be waived by the applicable Class B Purchaser, the Transferor shall have the right to replace the Class B Purchaser hereunder with a Replacement Purchaser that will succeed to the rights of such Class B Purchaser under this Agreement; PROVIDED, that (i) such Class B Purchaser shall not be replaced hereunder with a new investor until such Class B Purchaser has been paid in full its Percentage Interest of the Class B Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon and all other amounts (including all amounts owing under this Section 2.5) owed to it pursuant to this Agreement and (ii) if the Class B Purchaser to be replaced is the Agent or Administrative Agent, or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement; PROVIDED, FURTHER, that the Transferor shall provide such Class B Purchaser with an Officer's Certificate stating that such new investor is not subject to such Taxes or that such new investor is subject to a lesser amount of Taxes than the Class B Purchaser.

(b) A Class B Purchaser claiming increased amounts under subsection 2.5(a) for Taxes paid or payable by such Class B Purchaser (or the Agent for its own account) will furnish to the Agent who will furnish to the Transferor and the Servicer a certificate, setting forth the basis and amount of each request by such Class B Purchaser for such Taxes, such certificate to be conclusive as to the factual information set forth therein absent manifest error. All such amounts shall be due and payable to the Agent on behalf of such Class B Purchaser or for its own account, as the case may be, on the succeeding Distribution Date following receipt by the Transferor or the Servicer of such certificate at least 10 days prior to such Distribution Date, in each case if then incurred by such Class B Purchaser and otherwise shall be due and payable on the following Distribution Date (or, if earlier, on the Series 2002-1 Termination Date).

(c) Each Class B Purchaser and each Participant holding an interest in Class B Certificates agrees that prior to the date on which the first interest payment hereunder is due thereto, it will deliver to the Agent, the Servicer and the Trustee (i) if such Class B Purchaser or Participant is not organized under the laws of the United States or any State thereof, two duly completed copies of the U.S. Internal Revenue Service Form W-8ECI or successor applicable forms required to evidence that the Class B Purchaser's or Participant's income from this

Agreement or the Class B Certificates is "effectively connected" with the

conduct of a trade or business in the United States as the case may be or (ii) if such Class B Purchaser or Participant is organized under the laws of the United States or any State thereof and is not an "exempt recipient" as defined in Treasury Regulations section 1.6049-4(c), a U.S. Internal Revenue Service Form W-9 or successor applicable form required to evidence such Class B Purchaser's or Participant's entitlement to an exemption from United States backup withholding tax. Each Class B Purchaser or Participant holding an interest in Class B Certificates also agrees to deliver to the Agent, the Servicer and the Trustee two further copies of said Form W-8ECI or W-9, or such successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Agent, the Servicer and the Trustee, and such extensions or renewals thereof as may reasonably be requested by the Agent or the Servicer, unless in any such case, solely as a result of a change in treaty, law or regulation occurring prior to the date on which any such delivery would otherwise be required, and assuming that Section 1446 of the Code does not apply, the Class B Purchaser or the Participant is no longer eligible to deliver the then-applicable form set forth above. Each Class B Purchaser certifies, represents and warrants and each Participant acquiring an interest in a Class B Certificate or Class B Purchaser which is an Assignee shall certify, represent and warrant as a condition of acquiring its Participation or beneficial interest in the Class B Certificates (x) that its income from this Agreement or the Class B Certificates is effectively connected with a United States trade or business and (y) that it is entitled to an exemption from United States backup withholding tax. Further, each Class B Purchaser covenants and each Participant acquiring an interest in a Class B Certificate shall covenant that for so long as it shall hold such Participation or Class B Certificates it shall be held in such manner that the income therefrom shall be effectively connected with the conduct of a United States trade or business. The Agent, the Servicer and the Trustee shall be entitled to withhold or cause such withholding, and additional amounts in respect of Taxes need not be paid to a Class B Purchaser or Participant in the event of a breach of the certifications, representations, warranties or covenants set forth in this subsection 2.5(c) by such Class B Purchaser or Participant.

(d) In the event that any Class B Purchaser or Participant holding an interest in Class B Certificates shall breach the certifications, representations, warranties or covenants set forth in this Section 2.5, the Transferor shall have the right to replace such Class B Purchaser or such Participant's lead Class B Purchaser hereunder with a Replacement Purchaser that shall succeed to the rights of such Class B Purchaser under this Agreement and, subject to compliance with the provisos to the last sentence of subsection 2.5(a), such Class B Purchaser shall assign its interest in this Agent and any Class B Certificates owned by it to such Replacement Purchaser in accordance with the provisions of Section 8.1.

2.6 NON-RECOURSE. (a) Except to the extent provided in this Section 2.6, the obligation to repay the Class B Repayment Amount shall be without recourse to the Transferor, the Servicer (or any Person acting on behalf of any of them), the Holder of the Exchangeable Transferor Certificate, the Trust (except to the extent specifically provided for herein or in the Pooling and Servicing Agreement), the Trustee, the Certificateholders or any Affiliate of any of them, and shall be limited solely to amounts payable to the Series 2002-1 Certificateholders under the Pooling and Servicing Agreement. To the extent that such amounts are insufficient to pay the Class B

Repayment Amount, the obligation to pay the Class B Repayment Amount shall not constitute a claim against the Transferor, the Servicer (or any Person acting on behalf of any of them), the Holder of the Exchangeable Transferor Certificate, the Trust (except to the extent specifically provided for herein or in the Pooling and Servicing Agreement), the Trustee, the Certificateholders or any Affiliate of any of them. Notwithstanding anything to the contrary contained herein, if the Transferor or the Servicer shall fail to make any payment, deposit or transfer relating to the Series 2002-1 Certificates required to be made pursuant to the Pooling and Servicing Agreement and, as a result of such failure, the amount available to be applied to the Class B Certificates pursuant to the Pooling and Servicing Agreement is reduced to an amount which is less than the amount which otherwise would have been available had such payment, deposit or transfer been made (the amount of any such reduction hereinafter referred to as a "REDUCTION AMOUNT"), the Transferor or the Servicer, as the

case may be, shall repay the Class B Investor Principal Balance, together with interest due thereon in accordance with the Pooling and Servicing Agreement, to the extent of (i) such Reduction Amount and (ii) interest on the portion of the Class B Investor Charge-Offs, if any, which results from the existence of any Reduction Amount at the Agent Base Rate plus 2.00% per annum.

(b) Subject to and without limiting the foregoing provisions of this Section 2.6, the obligations of the Transferor and the Servicer under this Agreement shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement, irrespective of any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement, the Pooling and Servicing Agreement, the Series 2002-1 Certificates or the Supplement;

(ii) any amendment to or waiver of, or consent to or departure from, this Agreement, the Series 2002-1 Certificates, the Pooling and Servicing Agreement or the Supplement, unless agreed to by the Required Class B Owners and the Required Class B Purchasers or all the Class B Owners and the Required Class B Purchasers if required hereunder;

(iii) the existence of any claim, setoff, defense or other right which the Transferor, the Servicer or the Trustee may have at any time against each other, the Agent, the Administrative Agent or any Class B Purchaser, as the case may be, or any other Person, whether in connection with this Agreement, the Class B Certificates, the Pooling and Servicing Agreement or any unrelated transactions;

(iv) the bankruptcy or insolvency of the Trust or with respect to any party jointly and severally liable with another party hereto, of such other party; or

(v) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing; PROVIDED, that, with respect to obligations owing to any Class B Purchaser, the same shall not have constituted gross negligence or willful misconduct of such Class B Purchaser.

2.7 INDEMNIFICATION. (a) Subject to subsection 9.12(a) hereof in the case of the Transferor, the Transferor and FDSB, jointly and severally, agree to indemnify and hold harmless the Agent, the Administrative Agent and each Class B Purchaser and any directors, officers, employees, attorneys, auditors or accountants of such Agent, the Administrative Agent or Class B Purchaser (each such person being referred to as an "INDEMNITEE") from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which such Indemnitee may incur (or which may be claimed against such Indemnitee) by reason of or in connection with the execution and delivery of, or payment under, this Agreement, the Pooling and Servicing Agreement, the Series 2002-1 Certificates, except (i) to the extent that any such claim, damage, loss, liability, cost or expense shall be caused by the willful misconduct or gross negligence of such Indemnitee, (ii) to the extent that any such claim, damage, loss, liability, cost or expense relates to any Excluded Taxes, (iii) to the extent that any such claim, damage, loss, liability, cost or expense relates to disclosure made by the Agent or a Class B Purchaser in connection with an Assignment or Participation pursuant to Section 8.1 of this Agreement which disclosure is not based on information given to the Agent by or on behalf of the Transferor, the Servicer or the Trustee or (iv) to the extent that such claim, damage, loss, liability, cost or expense includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy, or lack of creditworthiness of the related Obligor. The foregoing indemnity shall include any claims, damages, losses, liabilities, costs or expenses to which any such Indemnitee may become subject under the Securities Act of 1933, as amended (the "ACT"), the Securities Exchange Act of 1934, as amended, the Investment Company Act of 1940, as amended, or other federal or state law or regulation arising out of or based upon any untrue statement or alleged untrue statement of a material fact in any disclosure document relating to the Class B Certificates or the Class A Certificates, or any amendments thereof or supplements thereto or arising out of, or based upon, the omission or the alleged omission to state a

material fact necessary to make the statements therein or any amendment thereof or supplement thereto, in light of the circumstances in which they were made, not misleading.

(b) Promptly after the receipt by an Indemnitee of a notice of the commencement of any action against an Indemnitee, such Indemnitee will notify the Agent and the Agent will, if a claim in respect thereof is to be made against the Transferor pursuant to subsection 2.7(a) (the "INDEMNIFYING PARTY"), notify the Indemnifying Party in writing of the commencement thereof; but the omission so to notify such party will not relieve such party from any liability which it may have to such Indemnitee pursuant to subsection 2.7(a). Upon receipt of such notice, the Indemnifying Party shall assume the defense of such action or proceeding, including the employment of counsel satisfactory to the Indemnitee in its reasonable judgment and the payment of all related expenses. Each Indemnitee shall have the right to employ separate counsel in any such action or proceeding and to participate in (but not control) the defense thereof, but the fees and expenses of such counsel shall be at its own expense unless (a) the Indemnifying Party shall have failed to assume or continue to defend such action or proceeding, (b) the named parties to any such action or proceeding (including any impleaded parties) include both such Indemnitee and either the Transferor or another person or entity that may be entitled to indemnification from the Transferor (by virtue of this Agreement or otherwise) and such Indemnitee shall have been advised by counsel that there may be one or more legal defenses available to such Indemnitee which are different from or additional to those available to the Transferor or such other party or shall otherwise have reasonably determined that the co-representation would present such counsel with a conflict of interest, or (c) the

Indemnifying Party and the Indemnitee shall have mutually agreed to the retention of separate counsel. Anything contained in this Agreement to the contrary notwithstanding, the Transferor shall not be entitled to assume the defense of any part of a Third Party Claim that specifically seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnitee.

2.8 TERMINATION EVENTS. In the event that any one or more of the following (each, a "TERMINATION EVENT") shall have occurred:

(a) the failure of the Transferor, the Servicer or the Trustee to make a deposit, payment or withdrawal required hereunder or under any Related Document (determined without regard to the failure of the Servicer to deliver any statement or certificate required hereunder or under the Supplement in order for such deposit, payment or withdrawal to be made) when and as required and such failure continues for five Business Days; PROVIDED that the failure of the Transferor to make additional payments pursuant to subsection 2.4(a) or 2.4(b) or Section 2.5 hereof shall not constitute a Termination Event unless such failure continues after the last Business Day of the Monthly Period which follows the Monthly Period in which the Transferor received a request for such payment pursuant to such subsection;

(b) any representation or warranty made herein, in any Related Document or in connection with this Agreement by the Transferor, the Servicer or the Trustee shall prove to have been incorrect in any material respect when made, and continues to be incorrect in any material respect for a period of sixty (60) days after receipt of written notice thereof, requiring the same to be remedied, by the Transferors and the Servicer from the Agent and as a result the interests of the Class B Purchasers or any other them are and continue to be materially and adversely affected;

(c) the failure by the Transferor or the Servicer or, if such failure is reasonably expected to have a material adverse effect on the Class B Investors, by the Trustee, to duly observe or perform any term or provision of this Agreement or in any Related Document (except as described in clause (a) above) which is not cured within 60 days after written notice of such failure is given to the defaulting party by the Agent;

(d) the occurrence (whether occurring before or after the commencement of an Amortization Period) of a Trust Pay Out Event, a Series 2002-1 Pay Out Event or a Servicer Default, or the occurrence of an event

or condition which would be a Trust Pay Out Event, a Series 2002-1 Pay Out Event or a Servicer Default but for a waiver of or failure to declare or determine such event by the Certificateholders or the Trustee; or

(e) the Commitment Expiration Date;

THEN, in the event of a Termination Event described in any of clauses (a) through (d) above, in addition to any other rights or remedies of the Class B Purchasers hereunder or under any Related Documents, (A) the Administrative Agent, at the direction of the Required Class B Owners and of the Required Class B Purchasers (and without regard to whether a similar

direction shall have been given pursuant to the Class A Certificate Purchase Agreement) in their discretion, shall deliver a Reserve Account Increase Notice to the Servicer as contemplated by the Supplement, and/or (B) the Administrative Agent, at the direction of the Required Class B Owners and of the Required Class B Purchasers (and without regard to whether a similar direction shall have been given pursuant to the Class A Certificate Purchase Agreement) in their discretion, shall deliver a notice to the Trustee and the Servicer that such Termination Event has occurred and directing that such Termination Event constitute a Series 2002-1 Pay Out Event under subsection 10(g) of the Supplement. In the event that a Termination Event described in clause (e) above shall have occurred, the Agent shall give notice thereof to the Administrative Agent, which shall, without further direction, deliver prompt notice to the Trustee and the Servicer that such Termination Event has occurred and directing that such Termination Event constitute a Series 2002-1 Pay Out Event under subsection 10(g) of the Supplement.

SECTION 3. CONDITIONS PRECEDENT

3.1 CONDITION TO INITIAL PURCHASE. As a condition precedent to the initial purchase by any Class B Purchasers of the Class B Certificates, (i) the Agent on behalf of the Class B Purchasers shall have received on the Closing Date the following items, each of which shall be in form and substance satisfactory to the Agent:

(a) the favorable written opinion of counsel for each of Prime II Receivables Corporation and FDSB addressed to the Agent and the Class B Purchasers and dated the Closing Date, covering general corporate matters and the due execution and delivery of, and the enforceability of, each of the Related Documents to which it is party and such other matters as the Agent may request;

(b) a copy of (i) the corporate charter of each of Prime II Receivables Corporation and FDSB, certified by the Secretary of State or other governmental authority of its jurisdiction of incorporation on or within thirty days of the Closing Date, and (ii) by-laws of, and an incumbency certificate with respect to its officers executing any of the Related Documents on the Closing Date on behalf of, each of Prime II Receivables Corporation and FDSB, certified by an authorized officer of each such entity, (iii) good standing certificates from the appropriate Governmental Authority as of a recent date with respect to each of Prime II Receivables Corporation and FDSB and (iv) resolutions of the Board of Director (or an authorized committee thereof) of each of Prime II Receivables Corporation and FDSB with respect to the Related Documents to which it is party, certified by an authorized officer of each such entity;

(c) the representations and warranties of the Transferor set forth or referred to in Section 4.1 hereof and the representations and warranties of FDSB set forth or referred to in Section 4.2 hereof shall be true and correct in all material respects on Closing Date as though made on and as of the Closing Date, and the Agent shall have received an Officer's Certificate of the Transferor and of FDSB, respectively, confirming the satisfaction of the condition set forth in this clause (c);

(d) customary sale/security interest, tax, bankruptcy and non-consolidation opinions, addressed to the Agent and the Class B Purchasers;

(e) a certificate of an authorized officer of FDSB with respect to the accuracy of data previously furnished to the Agent with respect to the Receivables in the Trust, in form and scope satisfactory to the Agent;

(f) an executed copy of this Agreement, the Pooling and Servicing Agreement, the Class B Fee Letter, the Receivables Purchase Agreement and the Supplement;

(g) evidence satisfactory to the Agent that the Class C Certificates having a Class C Initial Invested Amount at least equal to the Required Class C Invested Amount shall have been duly issued;

(h) evidence satisfactory to the Agent that the initial deposit (if any) in the Reserve Account required by Section 4.9(a) of the Pooling and Servicing Agreement shall have been made;

(i) evidence satisfactory to the Agent of the due execution and delivery of the Related Documents to which it is party by the Trustee;

(j) state and federal tax lien, judgment lien and Uniform Commercial Code lien searches against FDSB and the Transferor from Delaware, Ohio and any relevant local jurisdictions;

(k) time stamped receipt copies of proper financing statements and continuation statements, duly filed under the Uniform Commercial Code in all jurisdictions as may be necessary or desirable in order to perfect the ownership interests contemplated by the Pooling and Servicing Agreement; and

(l) all up front fees and expenses agreed and specified in the Class B Fee Letter shall have been paid by the Transferor on the Closing Date.

(ii) all representations and warranties of the Transferor and the Servicer contained herein shall be true and correct in all material respects on the Closing Date (and after giving effect to the transactions contemplated hereby) and no event which of itself or with the giving of notice or lapse of time, or both, would permit the furnishing of a Reserve Account Increase Notice has occurred and is continuing and the Agent shall have received an Officer's Certificate of each of the Transferor and the Servicer to such effect.

3.2 CONDITION TO ADDITIONAL PURCHASES. The following shall be conditions precedent to each purchase by any Class B Purchasers of VFC Additional Class B Invested Amounts hereunder:

(a) the Transferor shall have timely delivered a notice of purchase pursuant to subsection 2.1(c) of this Agreement;

(b) no Termination Event shall have occurred;

(c) after giving effect to such purchase of VFC Additional Class B Invested Amount, the aggregate Class B Investor Principal Balance shall not exceed the aggregate Commitments of the Committed Class B Purchasers minus the aggregate Commitments of all Defaulting Purchasers;

(d) the Servicer shall have delivered to the Agent on or prior to the date of such purchase, the most recent monthly statement required to be delivered under Section 5.2 of the Pooling and Servicing Agreement; PROVIDED, HOWEVER, that if the Servicer has failed to deliver such monthly statement on the relevant Determination Date, until such failure constitutes a Pay Out Event the Servicer may deliver on the date of such purchase the Daily Report delivered to the Trustee under subsection 3.4(b) of the Pooling and Servicing Agreement for the Business Day immediately preceding the date of such purchase in lieu of such monthly statement;

(e) the conditions set forth in Section 6.15 of the Pooling and Servicing Agreement to the issuance of such VFC Additional Class B Invested Amount shall have been satisfied; and

(f) the representations and warranties of the Transferor contained in Section 4.1 and of FDSB contained in Section 4.2 shall be true and correct in all material respects on and as of the applicable Purchase Date, as though made on and as of such date, other than the representations and warranties of FDSB contained in the last sentence of subsection 4.2(f) or in subsection 4.2(h), which shall have been true and correct in all material respects when made and as of the Closing Date, and other than the representations and warranties of the Transferor and of FDSB set forth in subsection 4.1(l) and subsection 4.2(g), respectively, which shall have been true and correct on all material respects on or as of the respective dates specified therein.

SECTION 4. REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS AND WARRANTIES OF THE TRANSFEROR. The Transferor repeats and reaffirms to the Class B Purchasers and the Agent the representations and warranties of the Transferor set forth in Sections 2.3 and 2.4 of the Pooling and Servicing Agreement and represents and warrants that such representations and warranties are true and correct as of the date hereof. The Transferor further represents and warrants to, and agrees with, the Agent and each Class B Purchaser that, as of the date hereof:

(a) The Transferor has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Delaware, with corporate power and authority to own its properties and to transact the business in which it is now engaged, and the Transferor is duly qualified to do business, is in good standing and holds all governmental licenses, authorizations, consents and approvals in each State of the United States where the nature of its business requires it to be so qualified.

(b) The Transferor has the full corporate power, authority and legal right to make, execute, deliver and perform the Related Documents to which it is party and all of the transactions contemplated thereby and to issue the Series 2002-1 Certificates from the

Trust and has taken all necessary corporate action to authorize the execution, delivery and performance of the Related Documents to which it is party and such issuance. This Agreement and each other Related Document to which the Transferor is a party has been duly executed and delivered by the Transferor. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of the Transferor enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and except as such enforceability may be limited by general principles of equity, whether considered in a proceeding at law or in equity).

(c) The Transferor is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or registration with, notice to or other action by any Governmental Authority in connection with the execution, delivery or performance of each of the Related Documents to which it is party that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) The execution, delivery and performance of the Related Documents to which it is party by the Transferor do not violate or conflict with any provision of any existing law or regulation applicable to the Transferor or any order or decree of any court to which the Transferor is subject or the Certificate of Incorporation or Bylaws of the Transferor, or any mortgage, security agreement, indenture, contract or other agreement to which the Transferor is a party or by which the Transferor or any significant portion of its properties is bound.

(e) There is no litigation, investigation or administrative proceeding before any court, tribunal, regulatory body or governmental body presently pending, or, to the knowledge of the Transferor, threatened, with respect to any of the Related Documents, the transactions contemplated thereby, or the issuance of the Series 2002-1 Certificates and there is no such litigation or proceeding against the Transferor or any significant portion of its properties which would, individually or in the aggregate, have a material adverse effect on the transactions contemplated by

any of the Related Documents or the ability of the Transferor to perform its obligations thereunder.

(f) The Transferor is not insolvent or the subject of any voluntary or involuntary bankruptcy proceedings.

(g) No Pay Out Event, Servicer Default, Termination Event or event permitting the furnishing of a Reserve Account Increase Notice has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute such an event or default.

(h) The Pooling and Servicing Agreement is not required to be qualified under the Trust Indenture Act of 1939, as amended, and neither the Trust nor the Transferor is required to be registered under the Investment Company Act of 1940, as amended.

(i) The Receivables conveyed by the Transferor to the Trust under the Pooling and Servicing Agreement are in an aggregate amount, determined as of November 4, 2002, of $650, 844,748.52. The Receivables Purchase Agreement is in full force and effect on the date hereof and no material default by any party exists thereunder.

(j) The Trust is duly created and existing under the laws of the State of New York. Simultaneous with the closing hereunder, all conditions to the issuance and sale of the Series 2002-1 Certificates set forth in the Pooling and Servicing Agreement have been satisfied and the Series 2002-1 Certificates have been duly issued by the Trust.

(k) Neither the Transferor nor any of its Affiliates has directly, or through any agent, (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Act) that is or will be integrated with the sale of the any Series 2002-1 Certificates in a manner that would require the registration under the Act of the offering of the Series 2002-1 Certificates or (ii) engaged in any form of general solicitation or general advertising in connection with the offering of the Series 2002-1 Certificates (as those terms are used in Regulation D under the Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Act. Assuming the accuracy of the representations and warranties of each Class B Purchaser in its Investment Letter and of each purchaser of Class A Certificates and Class C Certificate in their respective investment letters, the offer and sale of the Series 2002-1 Certificates are transactions which are exempt from the registration requirements of the Act.

(l) All written factual information heretofore furnished by the Transferor or any of its Affiliates to, or for delivery to, the Agent for purposes of or in connection with this Agreement, each other Related Document or any transaction contemplated hereby or thereby, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSB's credit card businesses, was true and correct in all material respects on the date as of which such information was stated or certified and remains true and correct in all material respects (unless such information specifically relates to an earlier date in which case such information shall have been true and correct in all material respects on such earlier date).

4.2 REPRESENTATIONS AND WARRANTIES OF FDSB. FDSB repeats and reaffirms to the Class B Purchasers and the Agent the representations and warranties of the Servicer set forth in Section 3.3 of the Pooling and Servicing Agreement and represents and warrants that such representations and warranties are true and correct as of the date hereof. FDSB further represents and warrants to, and agrees with, the Agent and each Class B Purchaser that, as of the date hereof:

(a) FDSB has been duly organized and is validly existing and in good standing as a federal thrift institution under the laws of the United States of America, with corporate power and authority to own its properties and to transact the business in which it is now engaged, and FDSB is duly qualified to do business (or is exempt from such qualification), is in good standing and holds all governmental licenses, authorizations, consents and approvals in each State of the United States where the nature of its business requires it to be

so qualified. FDSB is an insured depository institution under Section 4(a) of the Federal Deposit Insurance Act.

(b) FDSB has the full corporate power, authority and legal right to make, execute, deliver and perform the Related Documents to which it is party and all the transactions contemplated thereby and has taken all necessary corporate action to authorize the execution, delivery and performance of the Related Documents to which it is party. This Agreement and each other Related Document to which FDSB is a party has been duly executed and delivered by FDSB. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of FDSB enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and the rights of creditors of national banking associations and except as such enforceability may be limited by general principles of equity, whether considered in a proceeding at law or in equity).

(c) FDSB is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or registration with, notice to or other action by any Governmental Authority in connection with the execution, delivery or performance of each of the Related Documents to which it is party that has not been duly obtained and which is not and will not be in full force and effect on the Closing Date.

(d) The execution, delivery and performance of each of the Related Documents to which it is party by FDSB do not violate or conflict with any provision of any existing law or regulation applicable to FDSB or any order or decree of any court to which FDSB is subject or the Articles of Association or Bylaws of FDSB, or any mortgage, security agreement, indenture, contract or other agreement to which FDSB is a party or by which FDSB or any significant portion of FDSB's properties is bound.

(e) There is no litigation, investigation or administrative proceeding before any court, tribunal, regulatory body or governmental body presently pending, or, to the knowledge of FDSB, threatened, with respect to the Related Documents, the transactions contemplated thereby, or the issuance of the Series 2002-1 Certificates, and there is no such litigation or proceeding against FDSB or any significant portion of its properties which would, individually or in the aggregate, have a material adverse effect on the transactions contemplated by any of the Related Documents or the ability of FDSB, in its capacity as Servicer or otherwise, to perform its obligations thereunder.

(f) FDSB is not insolvent or the subject of any insolvency or liquidation proceeding. The financial statements of FDSB delivered to the Agent are complete and correct in all material respects and fairly present the financial condition of FDSB as of date of such statements and the results of operations of FDSB for the period then ended, all in accordance with regulatory accounting principles consistently applied. Since the date of the most recent audited financial statements of FDSB delivered to the Agent, there has not been any material adverse change in the condition (financial or otherwise) of FDSB.

(g) All written factual information heretofore furnished by FDSB or any of its Affiliates to, or for delivery to, the Agent for purposes of or in connection

with this Agreement, each other Related Document or any transaction contemplated hereby or thereby including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSB's VISA(R) credit card businesses, was true and correct in all material respects on the date as of which such information was stated or certified and remains true and correct in all material respects (unless such information specifically relates to an earlier date in which case such information shall have been true and correct in all material respects on such earlier date).

(h) There are no outstanding comments from the most recent report prepared by FDSB's (in its capacity as Servicer) independent

public accountants in connection with its VISA(R) credit card receivables.

(i) No Pay Out Event, Servicer Default, Termination Event or event permitting the furnishing of a Reserve Account Increase Notice has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute such an event or default.

4.3 REPRESENTATIONS AND WARRANTIES OF THE AGENT AND THE COMMITTED CLASS B PURCHASERS. Each of the Agent and the Committed Class B Purchasers represents and warrants to, and agrees with, the Transferor and the Servicer, that:

(a) It is duly authorized to enter into and perform this Agreement and to purchase its Commitment Percentage (if any) of the Class B Certificates, and has duly executed and delivered this Agreement; and the person signing this Agreement on behalf of such Committed Class B Purchaser has been duly authorized by such Committed Class B Purchaser to do so.

(b) This Agreement constitutes the legal, valid and binding obligation of such Committed Class B Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, conservatorship or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general, and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(c) No registration with or consent or approval of or other action by any state or local governmental authority or regulatory body having jurisdiction over such Committed Class B Purchaser is required in connection with the execution, delivery or performance by such Committed Class B Purchaser of this Agreement other than as may be required under the blue sky laws of any state.

SECTION 5. COVENANTS

5.1 COVENANTS OF THE TRANSFEROR AND FDSB. Each of the Transferor and FDSB (individually or, as set forth below, as the Servicer) covenants and agrees, so long as any amount of the Class B Investor Principal Balance shall remain outstanding or any monetary obligation arising hereunder shall remain unpaid, unless the Required Class B Owners and the Required Class B Purchasers shall otherwise consent in writing, that:

(a) each of the Transferor and the Servicer shall perform in all material respects each of the respective agreements, warranties and indemnities applicable to it and comply in all material respects with each of the respective terms and provisions applicable to it hereunder and under the other Related Documents to which it is party, which agreements are hereby incorporated by reference into this Agreement as if set forth herein in full; and each of the Transferor and the Servicer shall take all reasonable action to enforce the obligations of each of the other parties to such Related Documents which are contained therein;

(b) the Transferor and the Servicer shall furnish to the Agent (i) a copy of each opinion, certificate, report, statement, notice or other communication (other than investment instructions) relating to the Series 2002-1 Certificates which is furnished by or on behalf of either of them to Certificateholders, to any Rating Agency or to the Trustee and furnish to the Agent after receipt thereof, a copy of each notice, demand or other communication relating to the Series 2002-1 Certificates, this Agreement or the Pooling and Servicing Agreement received by the Transferor or the Servicer from the Trustee, any Rating Agency or 15% or more of the Series 2002-1 Certificateholders (to the extent such notice, demand or communication relates to the Accounts, the Receivables, any Servicer Default or any Pay Out Event); and (ii) such other information, documents records or reports respecting the Trust, the Receivables, the Transferor, FDSB or the Servicer as the Agent may from time to time reasonably request without unreasonable expense to the Transferor or the Servicer;

(c) the Servicer shall furnish to the Agent on or before

the date such reports are due under the Pooling and Servicing Agreement copies of each of the reports and certificates required by subsection 3.4(b) and Sections 3.5 and 3.6 of the Pooling and Servicing Agreement;

(d) the Servicer shall promptly furnish to the Agent a copy, addressed to the Agent, of each opinion of counsel delivered to the Trustee pursuant to Section 13.2(d) of the Pooling and Servicing Agreement;

(e) FDSB shall furnish to the Agent (i) a copy of its annual Call Report promptly after it becomes available, (ii) an annual certificate dated within 90 days after the end each of its fiscal years stating its compliance (or failure to comply) with each minimum ratio of total capital and core capital to risk-weighted assets required by Governmental Authorities in accordance with the implementation of the Basle Accord;

(f) the Servicer shall furnish to the Agent a certificate concurrently with its delivery of its annual certificate pursuant to Section 3.5 of the Pooling and Servicing Agreement stating that no Termination Event (other than a Termination Event described in clause (e) of subsection 2.8) or event or condition which with the passage of time or the giving of notice, or both, would constitute such a Termination Event or, if such Termination Event, event or condition has occurred, identifying the same in reasonable detail;

(g) Each of the Servicer and the Transferor will not change its name, identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the Uniform Commercial Code) or relocate its chief executive office or any office where records are kept unless it shall have: (i) given the Agent at least thirty (30) days' prior

written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation;

(h) the Transferor shall not exercise its right to accept optional reassignment of the Receivables or repurchase the Series 2002-1 Certificates pursuant to Sections 10.2 or 12.2 of the Pooling and Servicing Agreement or Section 3 of the Supplement, unless the Class B Purchasers have been paid, or will be paid upon such repurchase or in connection with such optional reassignment, the Class B Investor Principal Balance, all interest thereon and all other amounts owing hereunder in full;

(i) the Transferor and the Servicer shall at any time from time to time during regular business hours, on reasonable notice to the Transferor or the Servicer, as the case may be, permit the Agent, or its agents or representatives to:

(i) examine all books, records and documents (including computer tapes and disks) in its possession or under its control relating to the Receivables, and

(ii) visit its offices and property for the purpose of examining such materials described in clause (i) above.

The information obtained by the Agent or any Class B Purchaser pursuant to this subsection shall be held in confidence in accordance with Section 6.2 hereof;

(j) the Servicer shall furnish to the Agent, promptly after the occurrence of any Servicer Default, Termination Event, Pay Out Event or any event which would permit the furnishing of a Reserve Account Increase Notice, a certificate of an appropriate officer of the Servicer setting forth the circumstances of such Servicer Default, Pay Out Event, Termination Event or event and any action taken or proposed to be taken by the Servicer or the Transferor with respect thereto;

(k) the Transferor and the Servicer shall timely make all payments, deposits or transfers and give all instructions to transfer required by this Agreement and the Pooling and Servicing Agreement;

(l) the Transferor shall not terminate (except in accordance with the terms thereof), amend, waive or otherwise modify the Pooling and Servicing Agreement or the Supplement unless (i) such amendment, waiver or

modification shall not, as evidenced by an Officer's Certificate of the Transferor delivered to the Agent, adversely affect in any material respect the interests of the Agent or the Class B Purchasers under this Agreement or the Pooling and Servicing Agreement, and will not result in a reduction or withdrawal of the then current rating by any Rating Agency of any commercial paper notes issued by any Structured Purchaser; (ii) all of the provisions of Section 13.1 of the Pooling and Servicing Agreement have been complied with and (iii) in the case of any amendment of the Supplement, any amendment to be effected pursuant to subsection 13.1(b) of the Pooling and Servicing Agreement or any amendment to the interest rate to be borne by the Class A Certificates or the Class C Certificates, the prior written consent thereto shall have been provided by the Required Class B Owners and the Required Class B Purchasers;

(m) the Transferor and the Servicer shall execute and deliver to the Agent all such documents and instruments and do all such other acts and things as may be necessary or reasonably required by the Agent or the Trustee to enable the Trustee or the Agent to exercise and enforce their respective rights under this Agreement and the Pooling and Servicing Agreement and to realize thereon, and record and file and rerecord and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Trustee or the Agent to validate, preserve, perfect and protect the position of the Trustee under the Pooling and Servicing Agreement;

(n) without the prior written consent of the Required Class B Owners and the Required Class B Purchasers, the Transferor will not appoint (or cause to be appointed) a successor Trustee;

(o) neither the Transferor nor the Servicer will consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, except (i) in accordance with Section 7.2 or 8.2 of the Pooling and Servicing Agreement, with respect to the Transferor or the Servicer, respectively, and (ii) so long as (A) the obligations of the Transferor or the Servicer, as the case may be, under this Agreement and any other document executed and delivered in connection herewith shall be expressly assumed in writing by the transferee, purchaser or successor corporation, (B) the Transferor or the Servicer, as the case may be, has delivered to the Agent an Officer's Certificate of the Transferor or the Servicer and an Opinion of Counsel addressed to the Agent and each Class B Purchaser meeting the requirements of subsection 7.2(a)(ii) or 8.2(ii) of the Pooling and Servicing Agreement, as appropriate, as provided in such agreement, (C) the Transferor or the Servicer, as the case may be, has delivered to the Agent a copy of the notice to the Rating Agencies delivered pursuant to subsection 7.2(a)(iii) or 8.2(iii) of the Pooling and Servicing Agreement, and (D) such consolidation, merger or transfer, in the reasonable judgment of the Transferor and the Servicer, will not have a material adverse effect on the interests of the Class B Purchasers hereunder or under the Pooling and Servicing Agreement;

(p) the Transferor shall not reduce or withdraw any Discount Percentage then in effect unless such reduction or withdrawal (i) would not in the reasonable belief of the Transferor cause a Pay Out Event with respect to the Series 2002-1 Certificates or an event which, with notice or lapse of time or both, would constitute such a Pay Out Event to occur or (ii) is consented to by the Required Class B Owners and the Required Class B Purchasers;

(q) the Transferor and FDSB will not make any material amendment, modification or change to, or provide any waiver under, the Receivables Purchase Agreement without the prior written consent of the Required Class B Owners and the Required Class B Purchasers;

(r) the Transferor will not incur, permit or suffer to exist any lien, charge or other adverse claim on the Minimum Transferor Amount in the Trust;

(s) the Transferor will not engage in any business other than the transactions contemplated by this Agreement and the Related Documents;

(t) the Transferor will not (i) incur any liabilities or

indebtedness, other than pursuant to this Agreement and the Related Documents or reasonably related thereto, (ii) incur or permit or suffer to exist any lien, charge or encumbrance on any of its properties or assets, other than as provided for in the Pooling and Servicing Agreement, (iii) make any investments other than in Cash Equivalents or (iv) make any capital expenditures other than those reasonably required for its performance of its obligations hereunder and under the Related Documents; and

(u) the Transferor will not amend, modify or otherwise make any change to its Certificate of Incorporation if such amendment, modification or other change would have a material adverse effect on the interests of the Class B Purchasers, would affect any provisions thereof relating to the commencement of a voluntary bankruptcy proceeding or which is inconsistent with the assumptions set forth in the legal opinion of Jones, Day, Reavis & Pogue, counsel to FDSB and the Transferor, issued in connection with this Agreement and the transactions contemplated hereby and relating to the issues of substantive consolidation.

(v) The Transferor shall, without limiting the requirements of Section 5.1(m) hereof and Section 2.1 of the Pooling and Servicing Agreement, at its expense, preserve, continue, and maintain or cause to be preserved, continued, and maintained the Trust's valid and properly protected security interest in each Receivable transferred under the Pooling and Servicing Agreement, including, without limitation, filing or recording Uniform Commercial Code financing statements and continuation statements in each relevant jurisdiction.

SECTION 6. MUTUAL COVENANTS REGARDING CONFIDENTIALITY

6.1 COVENANTS OF TRANSFEROR, ETC. The Transferor and the Servicer shall hold in confidence, and not disclose to any Person, the terms of any fees payable in connection with this Agreement except they may disclose such information (i) to their officers, directors, employees, agents, counsel, accountants, auditors, advisors or representatives, (ii) with the consent of the Required Class B Purchasers and Agent, or (iii) to the extent the Transferor or the Servicer or any Affiliate of either of them should be required by any law or regulation applicable to it or requested by any Governmental Authority to disclose such information; PROVIDED, that, in the case of clause (iii), the Transferor or the Servicer, as the case may be, will use all reasonable efforts to maintain confidentiality and will (unless otherwise prohibited by law) notify the Agent of its intention to make any such disclosure prior to making such disclosure.

6.2 COVENANTS OF CLASS B PURCHASERS. The Agent and each Class B Purchaser covenants and agrees that any information obtained by the Agent or such Class B Purchaser pursuant to this Agreement shall be held in confidence (it being understood that documents provided to the Agent hereunder may in all cases be distributed by the Agent to the Class B Purchasers) except that the Agent or such Class B Purchaser may disclose such information (i) to its officers, directors, employees, agents, counsel, accountants, auditors, advisors or representatives, (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Agent or such Class B Purchaser, (iii) to the extent such information was available to the Agent or such Class B Purchaser on a nonconfidential basis prior to its disclosure to the Agent or such Class B Purchaser hereunder,

(iv) with the consent of the Transferor, (v) to the extent permitted by Section 8.1, (vi) to the extent the Agent or such Class B Purchaser should be (A) required in connection with any legal or regulatory proceeding or (B) requested by any Governmental Authority to disclose such information or (vii) in the case of any Class B Purchaser that is a Structured Lender, to rating agencies, placement agents and providers of liquidity and credit support who agree to hold such information in confidence; PROVIDED, that, in the case of clause (vi) above, the Agent or such Class B Purchaser, as applicable, will use all reasonable efforts to maintain confidentiality and, in the case of clause (vi)(A) above, will (unless otherwise prohibited by law) notify the Transferor of its intention to make any such disclosure prior to making any such disclosure. The parties hereto acknowledge that, notwithstanding the provisions set forth in this Section 6.2, any Structured Purchaser (and any liquidity provider to any Structured Purchaser which would be a prospective assignee) will not be obligated to obtain any consent hereunder, and no provision of this

Section 6.2 or of any other agreement executed or delivered in connection herewith or any confidentiality agreement signed by any person or entity will restrict the delivery of information received in connection herewith or with any agreement executed or delivered in connection herewith (or the disclosure of any terms or conditions contained in any such agreement) to any rating agency, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to such Structured Purchaser or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One, NA acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of the foregoing who need to know such information in connection herewith or any agreement executed or delivered in connection herewith, any liquidity arrangements in connection therewith, the transactions consummated in connection therewith, any transfer by such Structured Purchaser or the transfer of any of such Structured Purchaser's rights or interests thereunder.

SECTION 7. THE AGENTS

7.1 APPOINTMENT. (a) Each Class B Purchaser hereby irrevocably designates and appoints the Agent as the agent of such Class B Purchaser under this Agreement, and each such Class B Purchaser irrevocably authorizes the Agent, as the agent for such Class B Purchaser, to take such action on its behalf under the provisions of the Related Documents and to exercise such powers and perform such duties thereunder as are expressly delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Class B Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent. In performing its functions and duties hereunder and under the other Related Documents, the Agent shall act solely as agent for the Class B Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for either of the Transferor or FDSB or any of the Transferor's or FDSB's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any other Related Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all amounts payable hereunder and under each Related Document. Each Class B Purchaser hereby authorizes the Agent to execute and deliver each of the Uniform Commercial

Code financing statements on behalf of such Class B Purchaser (the terms of which shall be binding on such Class B Purchaser).

(b) Each Class B Purchaser hereby irrevocably designates and appoints the Administrative Agent as the agent of such Class B Purchaser under the Pooling and Servicing Agreement, and each such Class B Purchaser irrevocably authorizes the Administrative Agent, as the agent for such Class B Purchaser, to take such action on its behalf under the provisions of the Pooling and Servicing Agreement and to exercise such powers thereunder as are expressly granted to the Administrative Agent by the terms of the Pooling and Servicing Agreement, subject to the terms and conditions of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the Pooling and Servicing Agreement, or any fiduciary relationship with any Class B Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. In performing its functions and duties hereunder and under the other Related Documents, the Administrative Agent shall act solely as agent for the Class B Purchasers and the Class B Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for either of the Transferor or FDSB or any of the Transferor's or FDSB's successors or assigns. The Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement, any other Related Document or applicable law. The appointment and authority of the Administrative Agent hereunder shall terminate upon the indefeasible payment in full of all amounts payable hereunder and under each Related Document. Each Class B Purchaser and each Class B Purchaser hereby

authorizes the Administrative Agent to execute and deliver each of the Uniform Commercial Code financing statements on behalf of such Class B Purchaser and Class B Purchaser (the terms of which shall be binding on such Class B Purchaser and Class B Purchaser).

7.2 DELEGATION OF DUTIES. The Agent and the Administrative Agent may execute any of its duties under this Agreement or any of the other Related Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor the Administrative Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

7.3 EXCULPATORY PROVISIONS. Neither the Agent nor the Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable to any of the Class B Purchasers for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any of the other Related Documents (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Class B Purchasers for any recitals, statements, representations or warranties made by the Transferor, the Servicer or the Trustee or any officer thereof contained in this Agreement or any of the other Related Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent or the Administrative Agent under or in connection with, this Agreement or any of the other Related Documents or for the value, validity,

effectiveness, genuineness, enforceability or sufficiency of this Agreement or any of the other Related Documents or for any failure of the Transferor, the Servicer or the Trustee to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Section 3 hereof, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. Neither the Agent nor the Administrative Agent shall be under any obligation to any Class B Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any of the other Related Documents, or to inspect the properties, books or records of the Transferor, the Servicer, the Trustee or the Trust.

7.4 RELIANCE BY AGENT. The Agent and the Administrative Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, written statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Transferor, the Agent or the Administrative Agent), independent accountants and other experts selected by the Agent or the Administrative Agent. The Agent and the Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any of the other Related Documents unless it shall first receive such advice or concurrence of the Required Class B Purchasers as it deems appropriate or it shall first be indemnified to its satisfaction by the Class B Purchasers or of the Committed Class B Purchasers against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent and the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any of the other Related Documents in accordance with a request of the Required Class B Owners and the Required Class B Purchasers and such request and any action taken or failure to act pursuant thereto shall be binding upon all present and future Class B Purchasers.

7.5 NOTICES. The Agent shall not be deemed to have knowledge or notice of the occurrence of any breach of this Agreement or the occurrence of any Pay Out Event or any Termination Event unless the Agent has received notice from the Transferor, the Servicer, the Trustee or any Class B Purchaser referring to this Agreement, describing such event. In the event that the Agent receives such a notice, the Agent promptly shall give notice thereof to the Class B Owners and the Required Class B Purchasers. The Agent shall take such action with respect to such event as shall be reasonably directed by the Required Class B Owners and the Required Class B Purchasers; PROVIDED that

unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such event as it shall deem advisable in the best interests of the Class B Purchasers.

7.6 NON-RELIANCE ON AGENT AND OTHER CLASS B PURCHASERS. Each Class B Purchaser expressly acknowledges that neither the Agent nor the Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent or the Administrative Agent hereafter taken, including any review of the affairs of the Transferor, the Servicer, the Trustee or the Trust shall be deemed to constitute any representation

or warranty by the Agent or the Administrative Agent to any Class B Purchaser. Each Class B Purchaser represents to the Agent and the Administrative Agent that it has, independently and without reliance upon the Agent or any other Class B Purchaser, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Trust, the Trustee, the Transferor and the Servicer and made its own decision to purchase its Class B Certificate hereunder and enter into this Agreement. Each Class B Purchaser also represents that it will, independently and without reliance upon the Agent or the Administrative Agent or any other Class B Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis, appraisals and decisions in taking or not taking action under this Agreement or any of the other Related Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Trust, the Trustee, the Transferor and the Servicer. Except for notices, reports and other documents received by the Agent under Section 5 hereof, the Agent shall not have any duty or responsibility to provide any Class B Purchaser with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Trust, the Trustee, the Transferor or the Servicer which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

7.7 INDEMNIFICATION. The Committed Class B Purchasers agree to reimburse and indemnify the Agent and the Administrative Agent in its capacity as such (without limiting the obligation of the Transferor, the Trust or the Servicer to reimburse the Agent or the Administrative Agent for any such amounts), ratably according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the obligations under this Agreement, including the Class B Invested Amount) be imposed on, incurred by or asserted against the Agent or the Administrative Agent in any way relating to or arising out of this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent or the Administrative Agent under or in connection with any of the foregoing; PROVIDED that no Class B Purchaser shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of the Agent or the Administrative Agent resulting from its own gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the obligations under this Agreement, including the Class B Invested Amount.

7.8 AGENTS IN THEIR INDIVIDUAL CAPACITIES. The Agent, the Administrative Agent and their Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Trust, the Trustee, the Servicer and the Transferor as though the Agent and the Administrative Agent were not the agents hereunder. Each Class B Purchaser acknowledges that Bank One may act (i) as administrator and agent for one or more Structured Purchasers and in such capacity acts and may continue to act on behalf of each such Structured Purchaser in connection with its business and (ii) as the agent for certain financial institutions under the liquidity and credit enhancement agreements relating to this Agreement to which any such Structured Purchaser is party and in various other capacities relating to the

business of any such Structured Purchaser under various agreements. Bank One in its capacity as the Agent shall not, by virtue of its acting in any such other capacities, be deemed to have duties or responsibilities hereunder or be held to a standard of care in connection with the performance of its duties as the Agent or the Administrative Agent other than as expressly provided in this Agreement. Bank One may act as the Agent and the Administrative Agent without regard to and without additional duties or liabilities arising from its role as such administrator or agent or arising from its acting in any such other capacity.

7.9 SUCCESSOR AGENT. (a) The Agent may resign as Agent upon ten days' notice to the Class B Purchasers, the Trustee, the Transferor and the Servicer with such resignation becoming effective upon a successor agent succeeding to the rights, powers and duties of the Agent pursuant to this subsection 7.9(a). If the Agent shall resign as Agent under this Agreement, then the Required Class B Purchasers and the Required Class B Owners shall appoint from among the Committed Class B Purchasers a successor agent for the Class B Purchasers. The successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the retiring Agent's resignation as Agent, the provisions of this Section 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

(b) The Administrative Agent may resign as Administrative Agent upon ten days' notice to the Class B Purchasers, the Class A Purchasers (as defined in the Class A Certificate Purchase Agreement), the Trustee, the Transferor and the Servicer with such resignation becoming effective upon a successor agent succeeding to the rights, powers and duties of the Administrative Agent pursuant to this subsection 7.9(b). If the Administrative Agent shall resign as Administrative Agent under this Agreement, then the Required Class B Purchasers and the Required Class B Owners shall appoint from among the Committed Class B Purchasers hereunder or under the Class B Certificate Purchase Agreement a successor Administrative Agent of the Class B Certificateholders and Class A Certificateholders as provided in the Supplement; PROVIDED that no such appointment shall be effective unless such successor is also appointed as successor Administrative Agent under the Class A Certificate Purchase Agreement. The successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8. SECURITIES LAWS; TRANSFERS; TAX TREATMENT

8.1 TRANSFERS OF CLASS B CERTIFICATES. (a) Each Class B Owner agrees that the beneficial interest in the Class B Certificates purchased by it will be acquired for investment only and not with a view to any public distribution thereof, and that such Class B Owner will not offer to sell or otherwise dispose of any Class B Certificate acquired by it (or any

interest therein) in violation of any of the registration requirements of the Act or any applicable state or other securities laws. Each Class B Owner acknowledges that it has no right to require the Transferor to register, under the Act or any other securities law, the Class B Certificates (or the beneficial interest therein) acquired by it pursuant to this Agreement or any Transfer Supplement. Each Class B Owner hereby confirms and agrees that in connection with any transfer or syndication by it of an interest in the Class B Certificates, such Class B Owner has not engaged and will not engage in a general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Each initial Class B Owner agrees with the Transferor that it will execute and

deliver to the Transferor, the Servicer and the Trustee on or before the Closing Date a letter in the form attached hereto as EXHIBIT A (an "INVESTMENT LETTER") with respect to the purchase by such Class B Owner of a beneficial interest in the Class B Certificates.

(b) Each initial purchaser of a Class B Certificate or any interest therein and any Assignee thereof or Participant therein shall certify to the Transferor, the Servicer and the Trustee that it is either (A)(i) a citizen or resident of the United States, (ii) a corporation or partnership organized in or under the laws of the United States or any political subdivision thereof which, if such entity is a tax-exempt corporation, recognizes that payments with respect to the Class B Certificates may constitute unrelated business taxable income or (iii) a Person not described in clause (i) or (ii) whose income from the Class B Certificates is effectively connected with the conduct of a trade or business within the United States (within the meaning of the Code) and whose ownership of any interest in a Class B Certificate will not, under United States federal tax laws in effect at the time of the making of such certification, result in any withholding obligation with respect to any payments with respect to the Class B Certificates by any Person (other than withholding, if any, under Section 1446 of the Code) and who will furnish to the Agent, the Servicer and the Trustee, and to the Class B Owner making the Transfer, a properly executed U.S. Internal Revenue Service Form W-8ECI (and will agree (to the extent legally able) to provide a new Form W-8ECI upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws) or (B) an estate or trust the income of which is includible in gross income for United States federal income tax purposes.

(c) Any sale, transfer, assignment, participation, pledge, hypothecation or other disposition (a "TRANSFER") of a Class B Certificate or any interest therein may be made only in accordance with this Section 8.1 and in accordance with and subject to the applicable limitations set forth in Section 6.18 of the Pooling and Servicing Agreement. Any Transfer of an interest in a Class B Certificate, a Commitment or any Noncommitted Purchaser Percentage, when combined with any substantially concurrent Transfers hereunder between the same parties and any substantially concurrent Transfer of an interest in a Class A Certificate or a Commitment or Noncommitted Purchaser Percentage (as such terms are defined for purposes of the Class A Certificate Purchase Agreement) between the same parties, shall be in respect of (i) in the case of a Committed Class B Purchaser, at least $5,000,000 in the aggregate, which may be composed of any one or more of (A) Class B Invested Amount, (B) to the extent in excess of the Class B Invested Amount subject to such Transfer, Commitment hereunder, (C) Class A Invested Amount, and (D) to the extent in excess of the Class A Invested

Amount subject to such concurrent Transfer, Commitment under the Class A Certificate Purchase Agreement, or (ii) in the case of a Noncommitted Class B Purchaser, at least $5,000,000 in the aggregate, which may be composed of any one or more of (A) Class B Invested Amount, (B) to the extent in excess of the Class B Invested Amount subject to such Transfer, the product of the Noncommitted Purchaser Percentage subject to such Transfer times the aggregate Commitments hereunder, (C) Class A Invested Amount and (D) to the extent in excess of the Class A Invested Amount subject to such concurrent Transfer, the product of the Noncommitted Purchaser Percentage under the Class A Certificate Purchase Agreement subject to such Transfer times the aggregate Commitments under the Class A Certificate Purchase Agreement. Any Transfer of an interest in a Class B Certificate otherwise permitted by this Section 8.1 will be permitted only if it consists of a pro rata percentage interest in all payments made with respect to the Class B Purchaser's beneficial interest in such Class B Certificate. No Class B Certificate or any interest therein may be Transferred by assignment or Participation to any Person (each, a "TRANSFEREE") unless prior to the transfer the Transferee shall have executed and delivered to the Agent and the Transferor an Investment Letter and, except for any Transfer to an Eligible Transferee, each of the Transferor and the Servicer shall have granted its prior consent thereto; PROVIDED that in the event of a Transfer from a Class B Purchaser to one of its Affiliates or to a Person which, prior to such Transfer, is a Class B Purchaser of all of its interest in the Class B Certificates the transferring Class B Purchaser shall provide the Transferor and the Servicer with five (5) Business Days prior written notice thereof and the prior consent of the Transferor and the Servicer shall not be required for such Transfer AND PROVIDED FURTHER that the consent of the Transferor and the

Servicer shall not be required in connection with any transfer to a Support Bank or any liquidity provider.

Each of the Transferor and the Servicer authorizes each Class B Purchaser to disclose to any Transferee and Support Bank and any prospective Transferee or Support Bank any and all financial information in the Class B Purchaser's possession concerning the Trust, the Transferor or the Servicer which has been delivered to the Agent or such Class B Purchaser by or on behalf of the Trust or the Transferor or the Servicer pursuant to this Agreement (including information obtained pursuant to rights of inspection granted hereunder) or the other Related Documents or which has been delivered to such Class B Purchaser by or on behalf of the Trust, the Transferor or the Servicer in connection with such Class B Purchaser's credit evaluation of the Trust, the Transferor or the Servicer prior to becoming a party to, or purchasing an interest in this Agreement or the Class B Certificates; PROVIDED that prior to any such disclosure, such Transferee or Support Bank or prospective Transferee or Support Bank shall have executed an agreement agreeing to be bound by the provisions of Section 6.2 hereof.

(d) Each Class B Purchaser may, in accordance with applicable law, at any time grant participations in all or part of its interest in its Commitment or in the Class B Certificates including the payments due to it under this Agreement and the Pooling and Servicing Agreement (each, a "PARTICIPATION") to any Person (each, a "PARTICIPANT"); PROVIDED, HOWEVER, that no Participation shall be granted to any Person unless and until the conditions to Transfer specified in this Agreement and the Pooling and Servicing Agreement, including in subsection 8.1(c) hereof and Section 6.18 of the Pooling and Servicing Agreement, shall have been satisfied and that such Participation consists of a pro rata percentage interest in all payments made with respect to such Class B Purchaser's beneficial interest (if any) in the Class B Certificates. In connection with any such Participation, the Agent

shall maintain a register of each Participant and the amount of each Participation. Each Class B Purchaser hereby acknowledges and agrees that (A) any such Participation will not alter or affect such Class B Purchaser's direct obligations hereunder, and (B) neither the Trustee, the Transferor nor the Servicer shall have any obligation to have any communication or relationship with any Participant. Each Class B Purchaser and each Participant shall comply with the provisions of subsection 2.5(c). No Participant shall be entitled to Transfer all or any portion of its Participation, without the prior written consent of the Agent. The Transferor shall be obligated to indemnify a Participant for all amounts owing to it under Sections 2.4, 2.5 and 2.7 as if such Participant were a Class B Purchaser hereunder, but, in the case of Sections 2.4 and 2.5, only in an amount not in excess of the amounts which would have been owing thereunder had such Participation not been granted and, in the case of Section 2.5, provided that such Participant has complied with the provisions of subsection 2.5(c) as if it were a Class B Purchaser. Each Class B Purchaser shall give the Agent notice of the consummation of any sale by it of a Participation and the Agent (upon receipt of notice from the related Class B Purchaser) shall promptly notify the Transferor, the Servicer and the Trustee.

(e) Each Class B Purchaser may, with the consent of the Agent and in accordance with applicable law, sell or assign (each, an "ASSIGNMENT"), to any Person (each, an "ASSIGNEE") which is an Eligible Assignee (or is otherwise consented to in writing by the Transferor and the Servicer) all or any part of its interest in its Commitment or in the Class B Certificates and its rights and obligations under this Agreement and the Pooling and Servicing Agreement pursuant to an agreement substantially in the form attached hereto as EXHIBIT C hereto (a "TRANSFER SUPPLEMENT"), executed by such Assignee and the Class B Purchaser and delivered to the Agent for its acceptance and consent; PROVIDED, HOWEVER, that no such assignment or sale shall be effective unless and until the conditions to Transfer specified in this Agreement and the Pooling and Servicing Agreement, including in subsection 8.1(c) hereof and Section 6.18 of the Pooling and Servicing Agreement, shall have been satisfied; and PROVIDED FURTHER, HOWEVER, that no such assignment or sale to an Assignee which would become a Committed Class B Purchaser shall be effective unless either (i) the commercial paper notes or the short-term obligations of such Assignee are rated at least A-1 by Standard & Poor's and P-1 by Moody's or (ii) such assignment or sale shall have been consented to by all Class B Purchasers. From and after the effective date determined pursuant to such Transfer Supplement, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Transfer

Supplement, have the rights and obligations of a Class B Purchaser hereunder as set forth therein and (y) the transferor Class B Purchaser shall, to the extent provided in such Transfer Supplement, be released from its Commitment and other obligations under this Agreement; PROVIDED, HOWEVER, that after giving effect to each such Assignment, the obligations released by any such Class B Purchaser shall not exceed the obligations assumed by an Assignee or Assignees. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Assignee and the resulting adjustment of Percentage Interests, Noncommitted Purchaser Percentages or Commitment Percentages arising from the Assignment. Upon its receipt of a duly executed Transfer Supplement, the Agent shall on the effective date determined pursuant thereto give notice of such acceptance to the Transferor, the Servicer and the Trustee and the Servicer will provide notice thereof to each Rating Agency (if required).

Upon surrender for registration of transfer of a Class B Purchaser's beneficial interest in the Class B Certificates (or portion thereof) and delivery to the Transferor and the Trustee of an Investment Letter, executed by the registered owner (and the beneficial owner if it is a Person other than the registered owner), and receipt by the Trustee of a copy of the duly executed related Transfer Supplement and such other documents as may be required under this Agreement, such beneficial interest in the Class B Certificates (or portion thereof) shall be transferred in the records of the Trustee and the Agent and, if requested by the Assignee, new Class B Certificates shall be issued to the Assignee and, if applicable, the transferor Class B Purchaser in amounts reflecting such Transfer as provided in the Pooling and Servicing Agreement. Such Transfers of Class B Certificates (and interests therein) shall be subject to this Section 8.1 in lieu of any regulations which may be prescribed under Section 6.3 of the Pooling and Servicing Agreement. Successive registrations of Transfers as aforesaid may be made from time to time as desired, and each such registration of a transfer to a new registered owner shall be noted on the Certificate Register.

(f) Each Class B Purchaser may pledge its interest in the Class B Certificates to any Federal Reserve Bank as collateral in accordance with applicable law.

(g) Any Class B Purchaser shall have the option to change its Investing Office, PROVIDED that such Class B Purchaser shall have prior to such change in office complied with the provisions of subsection 2.5(c) and PROVIDED FURTHER that such Class B Purchaser shall not be entitled to any amounts otherwise payable under Section 2.4 or 2.5 resulting solely from such change in office unless such change in office was mandated by applicable law or by such Class B Purchaser's compliance with the provisions of this Agreement.

(h) Each Affected Party which, on the date it became an Affected Party, was an Eligible Assignee or was consented to by the Transferor and the Servicer shall be entitled to receive additional payments pursuant to Sections 2.4, 2.5 and 2.7 hereof as though it were a Class B Purchaser and such Section applied to its interest in or commitment to acquire an interest in the Class B Certificates; PROVIDED that such Affected Party shall not be entitled to additional payments pursuant to (i) Section 2.4 by reason of Regulatory Changes which occurred prior to the date it became an Affected Party or (ii) Section 2.5 attributable to its failure to satisfy the requirements of subsection 2.5(c) as if it were a Class B Purchaser.

(i) If any increased amounts referred to in Sections 2.4 or 2.5 owing to any Affected Party are not eliminated or reduced by the designation of a different Investing Office or other actions taken pursuant to subsection 2.4(c) and payment thereof hereunder is not waived by such Affected Party within 45 days after the Transferor or the Servicer shall have given notice to such Affected Party, its related Class B Purchaser and the Agent of the intent of the Transferor to exercise its rights under this sentence, the Transferor shall have the right to replace such related Class B Purchaser hereunder with a Replacement Purchaser; PROVIDED, that (x) such related Class B Purchaser shall not be replaced hereunder until such related Class B Purchaser has been paid in full all amounts owed to it hereunder and with respect to its interest in the Class B Certificates and (y) if the related Class B Purchaser is the Agent or the Administrative Agent or, unless otherwise agreed by the Agent and the

Administrative Agent, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent and Administrative Agent

shall have been appointed in accordance with Section 7.9 and the Agent and the Administrative Agent to be replaced shall have been paid in full all amounts owed to it hereunder.

(j) Each Affected Party claiming increased amounts described in Sections 2.4 or 2.5 shall furnish, through its related Structured Purchaser, to the Trustee, the Agent, the Servicer and the Transferor a certificate setting forth any action taken by such Affected Party to reduce or eliminate such increased amounts pursuant to subsection 2.4(c) and the basis and amount of each request by such Affected Party for any such amounts referred to in Sections 2.4 or 2.5, such certificate to be conclusive with respect to the factual information set forth therein absent manifest error.

(k) In the event that a Committed Class B Purchaser was at any time a Defaulting Purchaser or is a Downgraded Purchaser, the Transferor shall have the right and to replace such Class B Purchaser hereunder with a Replacement Purchaser, and the Agent, acting at the request of the Required Class B Purchasers or the Required Class A Owners, shall have the right to replace such Committed Class B Purchaser with a Replacement Purchaser which is an Eligible Assignee or is otherwise reasonably acceptable to the Transferor, which Replacement Purchaser shall succeed to the rights of such Committed Class B Purchaser under this Agreement, and such Committed Class B Purchaser shall assign its beneficial interest in the Class B Certificates to such Replacement Purchaser in accordance with the provisions of this Section 8.1; PROVIDED, that (A) such Committed Class B Purchaser shall not be replaced hereunder with a new investor until such Committed Class B Purchaser has been paid in full its Percentage Interest of the Class B Investor Principal Balance and all accrued and unpaid Yield (including any Liquidation Fee determined for the replacement date) thereon by such new investor and all other amounts (including all amounts owing under Sections 2.4 and 2.5) owed to it and to all Participants and Affected Parties with respect to such Class B Purchaser pursuant to this Agreement and (ii) if the Class B Purchaser to be replaced is the Agent or the Administrative Agent or, unless the Agent and the Administrative Agent otherwise agree, a Structured Purchaser sponsored or administered by the Administrative Agent or the Agent (in its individual capacity), a replacement Agent or Administrative Agent, as the case may be, shall have been appointed in accordance with Section 7.9 and the Agent or Administrative Agent, as the case may be, to be replaced shall have been paid all amounts owing to it as Agent or Administrative Agent, as the case may be, pursuant to this Agreement. For purposes of this subsection, a Committed Class B Purchaser shall be a "DOWNGRADED PURCHASER" if and so long as the credit rating assigned to its short-term obligations by Moody's or Standard & Poor's on the date on which it became a party to this Agreement shall have been reduced or withdrawn.

(l) Notwithstanding any provision of this Section 8.1 or any other provision in this Agreement or any Related Document to the contrary other than the limitations set forth in Section 6.18 of the Pooling and Servicing Agreement, each of the parties hereto agrees and acknowledges that (i) no provision of this Agreement, the Pooling and Servicing Agreement or of any other Related Document shall limit in any manner the ability of any Structured Purchaser to sell, assign, pledge, dispose of or otherwise transfer the Class B Certificates or any interest therein under any Liquidity Agreement or to consummate a Liquidity Put and (ii) any sale, assignment, pledge, disposition or transfer by any Structured Purchaser under any Liquidity Agreement or any Liquidity Put shall not be subject to any of the requirements or limitations set forth in this Agreement, the Pooling and Servicing Agreement or

any other Related Document that would be applicable to such sale, assignment, pledge, disposition or transfer or Liquidity Put but for this sentence.

8.2 TAX CHARACTERIZATION OF THE CLASS B CERTIFICATES. It is the intention of the parties hereto that the Class B Certificates be treated for tax purposes as indebtedness. In the event that the Class B Certificates are not so treated, it is the intention of the parties that such Class B Certificates be treated as an interest in a partnership that owns the Receivables. In the event that the Class B Certificates are treated as an interest in a partnership, it is the intention of the parties that interest payable on such Class B Certificates be

treated as guaranteed payment and, if for any reason it is not so treated, that the holders of such Class B Certificates be specially allocated gross interest income equal to the interest accrued during each applicable accrual period on such Class B Certificates.

SECTION 9. MISCELLANEOUS

9.1 AMENDMENTS AND WAIVERS. This Agreement may not be amended, supplemented or modified nor may any provision hereof be waived except in accordance with the provisions of this Section 9.1. With the written consent of the Required Class B Owners and the Required Class B Purchasers, the Agent, the Transferor and the Servicer may, from time to time, enter into written amendments, supplements, waivers or modifications hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights of any party hereto or waiving, on such terms and conditions as may be specified in such instrument, any of the requirements of this Agreement; PROVIDED, HOWEVER, that no such amendment, supplement, waiver or modification shall (i) reduce the amount of or extend the maturity of any Class B Certificate or reduce the rate or extend the time of payment of interest thereon, or reduce or alter the timing of any other amount payable to any Class B Purchaser hereunder or under the Supplement, in each case without the consent of the Class B Purchaser affected thereby, (ii) amend, modify or waive any provision of this Section 9.1, or, if such amendment would have a material adverse effect on the Class B Purchasers, the definition of "Class B Invested Amount", or reduce the percentage specified in the definition of Required Class B Owners or Required Class B Purchasers, in each case without the written consent of all Class B Purchasers or (iii) amend, modify or waive any provision of Section 7 of this Agreement without the written consent of the Agent, the Administrative Agent, the Required Class B Owners and Required Class B Purchasers. Any waiver of any provision of this Agreement shall be limited to the provisions specifically set forth therein for the period of time set forth therein and shall not be construed to be a waiver of any other provision of this Agreement.

The Administrative Agent may cast any vote or give any direction under the Pooling and Servicing Agreement on behalf of the Class B Certificateholders if it has been directed to do so by (i) the Required Class B Owners, (ii) the Required Class B Purchasers, and (iii) by the Class A Purchasers (as defined in the Class A Certificate Purchase Agreement) required under the terms of Section 9.1 of the Class A Certificate Purchase Agreement.

9.2 NOTICES. (a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy, telegraph or telex), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of mail or telecopy notice, when received, or, in

the case of telegraphic notice, when delivered to the telegraph company, or, in the case of telex notice, when sent, answer back received, addressed as follows or, with respect to a Class B Purchaser, as set forth in its respective Joinder Supplement or Transfer Supplement, or to such other address as may be hereafter notified by the respective parties hereto:

The Transferor: Prime II Receivables Corporation
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: President
Telephone: (513) 579-7580
Telefax: (513) 579-7393

The Servicer: FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: Chief Financial Officer
Telephone: (513) 573-2659
Telefax: (513) 573-2720

With a copy to:

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Telephone: (513) 579-7000

Telefax: (513) 579-7462

The Trustee: JPMorgan Chase Bank
4 New York Plaza, 6(th) Floor
New York, New York 10004-2413
Attention: Structured Finance Administration
Telephone: (212) 623-5430
Telefax: (212) 623-5933

The Agent or the Administrative Agent: Bank One, NA (Main Office Chicago)
1 Bank One Plaza, Suite IL1-0596, 1-21
Chicago, Illinois 60670-0596
Attention: Asset-Backed Finance Division
Telephone: (312) 732-9747
Telefax: (312) 732-4487

Jupiter: Jupiter Securitization Corporation
c/o Bank One, NA (Main Office Chicago), as Agent
Asset Backed Finance
Suite IL 1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079

Moody's: Moody's Investors Service, Inc.
99 Church Street, 4th Floor
New York, New York 10007
Attention: ABS Monitoring Department
Telephone: (212) 553-3610
Telefax: (212) 553-4773
(212) 553-7811

Standard & Poor's: Standard & Poor's Ratings Services
55 Water Street, 40(th) Floor
New York, New York 10041
Attention: Structured Finance Surveillance Group
Telephone: (212) 438-6216
Telefax: (212) 438-2647

(b) All payments to be made to the Agent or any Class B Purchaser hereunder shall be made in United States dollars and in immediately available funds not later than 1:30 p.m. Chicago time on the date payment is due, and, unless otherwise specifically provided herein, shall be made to the Agent, for the account of one or more of the Class B Purchasers or for its own account, as the case may be. Unless otherwise directed by the Agent, all payments to it shall be made by federal wire (ABA #071000013), to account number 48118, with telephone notice (including federal wire number) to (312) 732-2722.

9.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Agent or any Class B Purchaser, any right, remedy, power or privilege hereunder or under any of the other Related Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any of the other Related Documents preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided herein and in the other Related Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Transferor, the Servicer, the Agent, the Administrative Agent, the Class B Purchasers, any Assignee and their respective successors and assigns, except that the Transferor and the Servicer may not assign or transfer any of their respective rights or obligations under this Agreement except as provided herein and in the Pooling and Servicing Agreement, without the prior written consent of the Required Class B Owners and the Required Class B Purchasers. Upon any assignment by any Structured Purchaser to any Support Bank,

such Support Bank shall be deemed to be a "Class B Purchaser" party hereto and shall have all of the rights and obligations of a Class B Purchaser under this Agreement, the Class B Fee Letter and the Pooling and Servicing Agreement.

9.5 SUCCESSORS TO SERVICER. (a) In the event that a transfer of servicing

occurs under Article VIII or Article X of the Pooling and Servicing Agreement, (i) from and after the effective date of such transfer, the Successor Servicer shall be the successor in all respects to the Servicer and shall be responsible for the performance of all functions to be performed by the Servicer from and after such date, except as provided in the Pooling and Servicing Agreement, and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Successor Servicer, and (ii) as of the date of such transfer, the Successor Servicer shall be deemed to have made with respect to itself the representations and warranties made by the Servicer in Section 4.2 (in the case of subsection 4.2(a) with appropriate factual changes); PROVIDED, HOWEVER, that the references to the Servicer contained in Section 5.1 of this Agreement shall be deemed to refer to the Servicer with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the Servicer was Servicer under this Agreement and shall be deemed to refer to the Successor Servicer with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the Successor Servicer acts as Servicer under this Agreement; PROVIDED, HOWEVER, to the extent that an obligation to indemnify the Class B Purchasers under Section 2.7 arises as a result of any act or failure to act of any Successor Servicer in the performance of servicing obligations under the Pooling and Servicing Agreement or the Supplement, such indemnification obligation shall be of the Successor Servicer and not FDSB. Upon the transfer of servicing to a Successor Servicer, such Successor Servicer shall furnish to the Agent copies of its audited annual financial statements for each of the three preceding fiscal years or if the Trustee or any other banking institution becomes the Successor Servicer, such Successor Servicer shall provide, in lieu of the audited financial statements required in the immediately preceding clause, complete and correct copies of the publicly available portions of its Consolidated Reports of Condition and Income as submitted to the Federal Deposit Insurance Corporation for the two most recent year end periods.

(b) In the event that any Person becomes the successor to the Transferor pursuant to Article VII of the Pooling and Servicing Agreement, from and after the effective date of such transfer, such successor to the Transferor shall be the successor in all respects to the Transferor and shall be responsible for the performance of all functions to be performed by the Transferor from and after such date, except as provided in the Pooling and Servicing Agreement, and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Transferor by the terms and provisions hereof, and all references in this Agreement to the Transferor shall be deemed to refer to the successor to the Transferor; PROVIDED, HOWEVER, that the references to the Transferor contained in Sections 2.5, 2.7 and 5.1 of this Agreement shall be deemed to refer to Prime II Receivables Corporation with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that Prime II Receivables Corporation was Transferor under this Agreement and shall

be deemed to refer to the successor to Prime II Receivables Corporation as Transferor with respect to responsibilities, duties and liabilities arising out of an act or acts, or omission, or an event or events giving rise to such responsibilities, duties and liabilities and occurring during such time that the successor to Prime II Receivables Corporation acts as Transferor under this Agreement.

9.6 COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

9.7 SEVERABILITY. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

9.8 INTEGRATION. This Agreement and the Class B Fee Letter represent the

agreement of the Agent, the Administrative Agent, the Transferor, the Servicer and the Class B Purchasers with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Class B Purchasers, the Agent or the Administrative Agent relative to subject matter hereof not expressly set forth or referred to herein or therein. FDSB shall retain a copy of each of the above-referenced agreements as part of its official records.

9.9 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9.10 TERMINATION. This Agreement shall remain in full force and effect until the earlier to occur of (a) payment in full of the Class B Repayment Amount and all other amounts payable to the Class B Purchasers, the Agent and the Administrative Agent hereunder and the termination of all Commitments and (b) the Series 2002-1 Termination Date; PROVIDED, HOWEVER, that if the Class B Repayment Amount and all other amounts payable to the Class B Purchasers hereunder are paid in full and all Commitments have terminated prior to the Series 2002-1 Termination Date, the Agent shall notify the Trustee that thereafter all amounts otherwise payable to the Class B Purchasers hereunder shall be payable to the Transferor or any Person designated thereby; and PROVIDED, FURTHER, that the provisions of Sections 2.4, 2.5, 2.6, 2.7, 7.7 and 9.13 and subsections 9.12(a), 9.12(b) and 9.12(c) shall survive termination of this Agreement and amounts payable to the Class B Purchasers thereunder shall remain payable to the Class B Purchasers.

9.11 ACTION BY SERVICER. Wherever the Trustee or the Trust is authorized or required to take an action or give a notice pursuant to this Agreement and if the Trustee fails timely to take such action or give such notice pursuant to this Agreement after being requested to do so by the Servicer, the Servicer shall take such action or give such notice on behalf of the Trustee or the Trust.

9.12 LIMITED RECOURSE; NO PROCEEDINGS. (a) The obligations of the Transferor and the Servicer under this Agreement are several (except as specifically provided herein) and are solely the corporate obligations of the Transferor and the Servicer. No recourse shall be had for the payment of any fee or other obligation or claim arising out of or relating to this Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Transferor and the Servicer or any officer of any of them in connection therewith, against any stockholder, employee, officer, director or incorporator of the Transferor or the Servicer, and neither the Agent nor any Class B Purchaser shall look to any property or assets of the Transferor, other than to (a) amounts payable to the Transferor under the Receivables Purchase Agreement, any Supplement or the Pooling and Servicing Agreement and (b) any other assets of the Transferor not pledged to third parties or otherwise encumbered in any manner permitted by the Transferor's Certificate of Incorporation. Each Class B Purchaser and the Agent hereby agrees that to the extent such funds are insufficient or unavailable to pay any amounts owing to it by the Transferor pursuant to this Agreement, prior to the earlier of the Trust Termination Date or the commencement of a bankruptcy or insolvency proceeding by or against the Transferor, it shall not constitute a claim against the Transferor. Nothing in this paragraph shall limit or otherwise affect the liability of the Servicer with respect to any amounts owing by it hereunder or the right of the Agent or any Class B Purchaser to enforce such liability against the Servicer or any of its assets. The obligations of the Agent and the Administrative Agent under this Agreement, or any other agreement, instrument, document or certificate executed and delivered by or issued by the Agent, the Administrative Agent or any Class B Purchaser or any officer thereof are solely the corporate obligations of the Agent, the Administrative Agent or such Class B Purchaser. No recourse shall be had for payment of any fee or other obligation or claim arising out of or relating to this Agreement or any other agreement, instrument, document or certificate executed and delivered or issued by the Agent, the Administrative Agent or any Class B Purchaser or any officer thereof in connection therewith, against any stockholder, employee, officer, director or incorporator of the Agent, the Administrative Agent or such Class B Purchaser.

(b) Each of the Transferor, the Servicer and the Trustee hereby agrees that it shall not institute or join against any Structured Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for

one year and a day after the latest maturing commercial paper note, medium term note or other debt security issued by such Structured Lender is paid.

(c) No claim may be made by the Transferor, the Servicer, the Trustee or any other Person against such Class B Purchaser, Administrative Agent or Agent or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each of the Transferor, the Servicer and the Trustee hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

9.13 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the purchase of the Class B Certificates hereunder and the termination of this Agreement.

9.14 SUBMISSION TO JURISDICTION; WAIVERS. EACH OF THE TRANSFEROR, THE ADMINISTRATIVE AGENT, THE SERVICER, THE TRUST, THE TRUSTEE, THE AGENT AND EACH CLASS B PURCHASER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(B) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(C) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS SET FORTH IN SECTION 9.2 OR AT SUCH OTHER ADDRESS OF WHICH THE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO; AND

(D) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

9.15 WAIVERS OF JURY TRIAL. THE TRANSFEROR, THE SERVICER, THE TRUST, THE TRUSTEE, THE AGENT AND THE CLASS B PURCHASERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT OR INSTRUMENT RELATED HERETO AND FOR ANY COUNTERCLAIM THEREIN.

9.16 EXCULPATION OF STRUCTURED PURCHASER, THE AGENT AND THE ADMINISTRATIVE AGENT. None of any Structured Purchaser, the Agent or the Administrative Agent undertakes or assumes any responsibility or duty to the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person to select, review, inspect, examine, supervise, pass judgment upon or inform the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person of (a) the existence, quality, adequacy or suitability of appraisals of any Receivables or related assets or (b) any other matters or items (including, but not limited to, the condition and credit quality of the Receivables or related assets and the validity or enforceability of any of the Receivables or related assets) that are contemplated in the Pooling and Servicing Agreement, herein, or in any document executed or delivered in connection herewith. Any such selection, review, inspection, examination and the like, and any other due diligence conducted by the Agent, the Administrative Agent, and/or any Structured Purchaser, is solely for the purpose of protecting the Agent's, the Administrative Agent's, and such Structured Purchaser's rights hereunder and under the Pooling and Servicing

Agreement, and shall not render the Agent, the Administrative Agent, and/or any Structured Purchaser liable to the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person for the existence, sufficiency, accuracy, completeness or legality thereof. Notwithstanding any provision to the contrary contained in this Agreement or any other document executed or delivered in connection herewith, each of the Transferor, the Seller, the Trustee, any Indemnified Party or any other party to any document executed or delivered in connection herewith or any other Person which is or becomes a party to this Agreement or any other document executed or delivered in connection herewith hereby acknowledges and agrees that no Structured Purchaser has any express or implied obligations, duties or liabilities (including, without limitation, the incurrence of any cost or expense or of any payment or other performance undertaking) arising under or in connection with this Agreement or any other document executed or delivered in connection herewith and shall not be liable or responsible to any Person to act or for the failure to act in connection with this Agreement or any other document executed or delivered in connection herewith (it being agreed that any Structured Purchaser's failure to take any action shall not result in liability to the Administrative Agent or the Agent). For the avoidance of doubt, each party hereto acknowledges and agrees to be bound by this Section.

9.17 FURTHER ASSURANCES. (a) Each party hereto agrees, at the request of the Agent from time to time to enter into or to consent to, as applicable, any amendments or other modifications to this Agreement or the Related Documents, other than those requiring the consent of all Class B Purchasers as provided above in Section 9.1, and the Transferor agrees to cause its Certificate of Incorporation and Bylaws to be amended or otherwise modified, as shall reasonably be determined by the Agent to be required for any initial Class B Purchaser which is a Structured Purchaser to obtain or maintain an informal rating of the Class B Certificates which will permit such Structured Purchaser's commercial paper notes to maintain at least the rating from Standard & Poor's and Moody's as in effect immediately prior to such Structured Purchaser's becoming a Class B Purchaser after giving effect to its initial purchase of the Class B Certificates and to purchases from time to time by such Structured Purchaser of VFC Additional Class B Invested Amounts as contemplated by this Agreement, without giving effect to any

increase in any letter of credit or other enhancement provided to such Structured Purchaser (other than liquidity support provided to such Structured Purchaser by Affected Parties).

(b) FDSB agrees to do such further acts and things and to execute and deliver to each Class B Purchaser, the Agent or the Administrative Agent such additional assignments, agreements, powers and instruments as are required by such Class B Purchaser to carry into effect the purposes of this Agreement or to better assure and confirm unto Class B Purchaser, the Agent or the Administrative Agent its rights, powers and remedies hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Certificate Purchase Agreement to be duly executed by their respective officers as of the day and year first above written.

PRIME II RECEIVABLES CORPORATION,
as Transferor

By:
/s/ Susan P. Storer

Name: Susan P. Storer
Title: President

FDS BANK

By:

/s/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

Commitment $22,222,222.00 BANK ONE, NA (MAIN OFFICE CHICAGO),
as a Committed Class B Purchaser,
as Agent and as Administrative Agent

Commitment Expiration Date November 5 , 2003

By:
/s/ William Hendricks

Name: William Hendricks
Title: Director, Capital Markets

JUPITER SECURITIZATION CORPORATION, as a Noncommitted Class B Purchaser

By:
/s/ William Hendricks

Name: William Hendricks
Title: Authorized Signer

EXHIBIT A

FORM OF INVESTMENT LETTER

[Date]

Prime II Receivables Corporation
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: President

Re Prime Credit Card Master Trust II Class B
Variable Funding Certificates, Series 2002-1

Ladies and Gentlemen:

This letter (the "Investment Letter") is delivered by the undersigned (the "Purchaser") pursuant to subsection 8.1(a) of the Class B Certificate Purchase Agreement dated as of November 6, 2002 (as in effect, the "Certificate Purchase Agreement"), among the Transferor, FDS Bank, as Servicer, the Class B Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent. Capitalized terms used herein without definition shall have the meanings set forth in the Certificate Purchase Agreement. The Purchaser represents to and agrees with the Transferor as follows:

(a) The Purchaser is authorized [to enter into the Certificate Purchase Agreement and to perform its obligations thereunder and to consummate the transactions contemplated thereby] [to purchase a participation in obligations under the Certificate Purchase Agreement].

(b) The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Class B Certificates and is able to bear the economic risk of such investment. The Purchaser has been afforded the opportunity to ask such questions as it deems necessary to make an investment decision, and has received all information it has requested in connection with making such investment decision. The Purchaser has, independently and without reliance upon the Agent, the Administrative Agent or any other Class B Purchaser, and based on such documents and information as it has deemed appropriate, made is own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer and made its own decision to purchase its interest in the Class B Certificates, and will, independently and without reliance upon the Agent, the Administrative Agent or any other Class B Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis, appraisals and decisions in taking or not taking action under the Certificate Purchase Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer.

(c) The Purchaser is an "accredited investor", as defined in Rule

501, promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), or is a sophisticated institutional investor. The Purchaser understands that the offering and sale of the Class B Certificates has not been and will not be registered under the Securities Act and has not and will not be registered or qualified under any applicable "blue sky" law, and that the offering and sale of the Class B Certificate has not been reviewed by, passed on or submitted to any federal or state agency or commission, securities exchange or other regulatory body.

(d) The Purchaser is acquiring an interest in Class B Certificates without a view to any distribution, resale or other transfer thereof except, with respect to any Class B Purchaser Interest or any interest or participation therein, as contemplated in the following sentence. The Purchaser will not resell or otherwise transfer any interest or participation in the Class B Purchaser Interest, except in accordance with Sections 8.1 of the Certificate Purchase Agreement and (i) in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and applicable state securities or "blue sky" laws; (ii) to the Transferor or any affiliate of the Transferor; or (iii) to a person who the Purchaser reasonably believes is a qualified institutional buyer (within the meaning thereof in Rule 144A under the Securities Act) that is aware that the resale or other transfer is being made in reliance upon Rule 144A. In connection therewith, the Purchaser hereby agrees that it will not resell or otherwise transfer the Class B Certificates or any interest therein unless the purchaser thereof provides to the addressee hereof a letter substantially in the form hereof.

[(e) The Purchaser hereby certifies to the Transferor, the Servicer and the Trustee that it has neither acquired nor will it sell, trade or transfer any interest in a Class B Certificate or cause an interest in a Class B Certificate to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and any proposed, temporary or final treasury regulation thereunder, including, without limitation, an over-the-counter-market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. In addition, the Purchaser hereby certifies that it is not and, for so long as it holds any interest in a Class B Certificate will not become a partnership, Subchapter S corporation or grantor trust for U.S. federal income tax purposes. The Purchaser acknowledges that the opinion of counsel to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation is dependent in part on the accuracy of the certifications described in this paragraph.][To be included only if required by Section 6.18 of the Pooling and Servicing Agreement.]

[(e)][(f)] This Investment Letter has been duly executed and delivered and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally and general principles of equity.

Very truly yours,

[NAME OF PURCHASER]

By: _____
Name: _____
Title: _____

EXHIBIT B

FORM OF JOINDER SUPPLEMENT

JOINDER SUPPLEMENT, dated as of the date set forth in Item 1 of

Schedule I hereto, among Prime II Receivables Corporation (the "TRANSFEROR"), the Class B Purchaser set forth in Item 2 of Schedule I hereto (the "ADDITIONAL CLASS B PURCHASER"), and Bank One, NA (Main Office Chicago), as Agent for the Class B Purchasers under, and as defined in, the Certificate Purchase Agreement described below (in such capacity, the "AGENT").

W I T N E S S E T H:

WHEREAS, this Supplement is being executed and delivered in accordance with subsection 2.2(d) of the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among the Transferor, FDS Bank, as Servicer, the Class B Purchasers parties thereto, the Agent and Bank One, NA (Main Office Chicago), as Administrative Agent (as from time to time amended, supplemented or otherwise modified in accordance with the terms thereof, the "CERTIFICATE PURCHASE AGREEMENT"; unless otherwise defined herein, terms defined in the Certificate Purchase Agreement are used herein as therein defined); and

WHEREAS, the Additional Class B Purchaser (if it is not already a Class B Purchaser party to the Certificate Purchase Agreement) wishes to become a Class B Purchaser party to the Certificate Purchase Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Agent of five counterparts of this Supplement, to each of which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Additional Class B Purchaser, the Transferor and the Agent, the Agent will transmit to the Servicer, the Transferor, the Trustee, the Administrative Agent and the Additional Class B Purchaser a Joinder Effective Notice, substantially in the form of Schedule III to this Supplement (a "JOINDER EFFECTIVE NOTICE"). Such Joinder Effective Notice shall be executed by the Agent and shall set forth, INTER ALIA, the date on which the transfer effected by this Supplement shall become effective (the "JOINDER EFFECTIVE DATE"). From and after the Joinder Effective Date, the Additional Class B Purchaser shall be a Class B Purchaser party to the Certificate Purchase Agreement for all purposes thereof and shall be a Noncommitted Class B Purchaser or Committed Class B Purchaser, as the case may be, as set forth in Schedule II hereto, having an initial Noncommitted Purchaser Percentage or Committed Purchaser Percentage, as applicable, and a Commitment, if applicable, as set forth in such Schedule II.

(b) Concurrently with the execution and delivery hereof, the Additional Class B Purchaser will deliver to the Transferor and the Trustee an executed Investment Letter in the form of Exhibit A to the Certificate Purchase Agreement.

(c) Each of the parties to this Supplement agrees and acknowledges that at any time and from time to time upon the written request of any other party, it will execute and deliver
such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Supplement.

(d) By executing and delivering this Supplement, the Additional Class B Purchaser confirms to and agrees with the Agent, the Administrative Agent and the Class B Purchasers as follows: (i) neither the Agent, the Administrative Agent nor any other Class B Purchaser makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with the Certificate Purchase Agreement (other then representations or warranties made by such respective parties) or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Certificate Purchase Agreement or any other instrument or document furnished pursuant thereto, or with respect to the Trust, the financial condition of the Servicer, the Transferor or the Trustee, or the performance or observance by the Servicer, the Transferor or the Trustee of any of their respective obligations under the Certificate Purchase Agreement or the Pooling and Servicing Agreement or any other instrument or document furnished pursuant hereto; (ii) the Additional Class B Purchaser confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (iii) the Additional Class B Purchaser will, independently and without reliance upon the Agent, the Administrative Agent or any other Class B Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Certificate Purchase Agreement; (iv) each Purchasing

Class B Purchaser appoints and authorizes the Agent and the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Certificate Purchase Agreement and the Supplement as are delegated to the Agent or the Administrative Agent, as applicable, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Section 7 of the Certificate Purchase Agreement; and (vi) the Additional Class B Purchaser agrees (for the benefit of the Agent, the Administrative Agent, the other Class B Purchasers, the Trustee, the Servicer and the Transferor) that it will perform in accordance with their terms all of the obligations which by the terms of the Certificate Purchase Agreement are required to be performed by it as a Class B Purchaser which is a Noncommitted Class B Purchaser or Committed Class B Purchaser, as the case may be, as specified in Schedule II hereto.

(e) Schedule II hereto sets forth the Commitment and the Commitment Expiration Date, if applicable, and the initial Investing Office of the Additional Class B Purchaser, as well as administrative information with respect to the Additional Class B Purchaser.

(f) This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
JOINDER SUPPLEMENT

COMPLETION OF INFORMATION AND

SIGNATURES FOR JOINDER SUPPLEMENT

Re: Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class B Purchasers party thereto and Bank One, NA, as Agent and as Administrative Agent.

Item 1: Date of Joinder Supplement:

Item 2: Additional Class B Purchaser:

Item 3: Signatures of Parties to Agreement:

_____,
as Additional Class B Purchaser

By: _____
Name:
Title:

[By: _____
Name:
Title:]

PRIME II RECEIVABLES CORPORATION,
as Transferor

By: _____
Name:
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO),
as Agent

By: _____
Name:
Title:

ACCEPTED BY:

BANK ONE, NA (MAIN OFFICE
CHICAGO),
as Administrative Agent

By: _____
Name:
Title:

FDS BANK, as Servicer

By: _____
Name:
Title:

SCHEDULE II TO
JOINDER SUPPLEMENT

LIST OF INVESTING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT

[Additional Class B Purchaser]

Noncommitted Class B Purchaser: Yes/No
_____

Initial Noncommitted Purchaser Percentage: _____%
(if applicable)

Committed Class B Purchaser: Yes/No
_____

Initial Committed Purchaser Percentage: _____%
(if applicable)

Commitment: $_____

Commitment Expiration Date: _____

Address for Notices:
_____

Investing Office:
_____

SCHEDULE III TO
JOINDER SUPPLEMENT

FORM OF
JOINDER EFFECTIVE NOTICE

To: [Name and address of
Transferor, Servicer, Trustee, Administrative
Agent and Additional Class B Purchaser]

The undersigned, as Agent under the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class B Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent for the Class B Purchasers and as Administrative Agent thereunder, acknowledges receipt of five executed counterparts of a completed Joinder Supplement. [Note: attach copies of Schedules I and II from such Agreement.] Terms defined in such Supplement are used herein as therein defined.

Pursuant to such Supplement, you are advised that the Joinder Effective Date will be _____, 20__.

Very truly yours,

BANK ONE, NA
(MAIN OFFICE CHICAGO), as Agent

By: _____
Name:
Title:

EXHIBIT C

FORM OF TRANSFER SUPPLEMENT

TRANSFER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among the Transferor Class B Purchaser set forth in Item 2 of Schedule I hereto (the "TRANSFEROR CLASS B PURCHASER"), the Purchasing Class B Purchaser set forth in Item 3 of Schedule I hereto (the "PURCHASING CLASS B PURCHASER"), and Bank One, NA (Main Office Chicago), as Agent for the Class B Purchasers under, and as defined in, the Certificate Purchase Agreement described below (in such capacity, the "AGENT").

W I T N E S S E T H:

WHEREAS, this Supplement is being executed and delivered in accordance with subsection 8.1(e) of the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class B Purchasers parties thereto, the Agent and Bank One, NA (Main Office Chicago), as Administrative Agent (as from time to time amended, supplemented or otherwise modified in accordance with the terms thereof, the "CERTIFICATE PURCHASE AGREEMENT"; unless otherwise defined herein, terms defined in the Certificate Purchase Agreement are used herein as therein defined);

WHEREAS, the Purchasing Class B Purchaser (if it is not already a Class B Purchaser party to the Certificate Purchase Agreement) wishes to become a Class B Purchaser party to the Certificate Purchase Agreement and the Purchasing Class B Purchaser wishes to acquire and assume from the Transferor Class B Purchaser, certain of the rights, obligations and commitments under the Certificate Purchase Agreement; and

WHEREAS, the Transferor Class B Purchaser wishes to sell and assign to the Purchasing Class B Purchaser, certain of its rights, obligations and commitments under the Certificate Purchase Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Agent of five counterparts of this Supplement, to each of which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Transferor Class B Purchaser, the Purchasing Class B Purchaser and the Agent, the Agent will transmit to the Servicer, the Transferor, the Trustee, the Transferor Class B Purchaser and the Purchasing Class B Purchaser a Transfer Effective Notice, substantially in the form of Schedule III to this Supplement (a "TRANSFER EFFECTIVE NOTICE"). Such Transfer Effective Notice shall be executed by the Agent and shall set forth, inter alia, the date on which the transfer effected by this Supplement shall become effective (the "TRANSFER EFFECTIVE DATE"). Subject to the prior written consent, if applicable, of the Transferor and the Servicer to such transfer in the form of Schedule IV to this Supplement, from and after the Transfer Effective Date the Purchasing Class B Purchaser shall be a Class B Purchaser party to the Certificate Purchase Agreement for all purposes thereof as a Noncommitted Class B Purchaser or Committed Class B Purchaser, as specified on Schedule II to this Supplement.

(b) At or before 12:00 Noon, local time of the Transferor Class B Purchaser, on the Transfer Effective Date, the Purchasing Class B Purchaser shall pay to the Transferor Class B Purchaser, in immediately available funds, an amount equal to the purchase price, as agreed between the Transferor Class B Purchaser and such Purchasing Class B Purchaser (the "PURCHASE PRICE"), of the portion set forth on Schedule II hereto being purchased by such Purchasing Class B Purchaser of the outstanding Class B Invested Amount under the Class B

Variable Funding Certificate owned by the Transferor Class B Purchaser (such Purchasing Class B Purchaser's "PURCHASE PERCENTAGE") and other amounts owing to the Transferor Class B Purchaser under the Certificate Purchase Agreement or otherwise in respect of the Class B Variable Funding Certificates. Effective upon receipt by the Transferor Class B Purchaser of the Purchase Price from the Purchasing Class B Purchaser, the Transferor Class B Purchaser hereby irrevocably sells, assigns and transfers to the Purchasing Class B Purchaser, without recourse, representation or warranty, and the Purchasing Class B Purchaser hereby irrevocably purchases, takes and assumes from the Transferor Class B Purchaser, the Purchasing Class B Purchaser's Purchase Percentage of (i) the presently outstanding Class B Invested Amount under the Class B Variable Funding Certificates owned by the Transferor Class B Purchaser and other amounts owing to the Transferor Class B Purchaser in respect of the Class B Variable Funding Certificates, together with all instruments, documents and collateral security pertaining thereto, and (ii) the Purchasing Purchaser's Purchase Percentage of (A) if the Transferor Class B Purchaser is a Noncommitted Class B Purchaser, the Noncommitted Purchaser Percentage of the Transferor Class B Purchaser and the other rights and duties of the Transferor Class B Purchaser under the Certificate Purchase Agreement, or (B) if the Transferor Class B Purchaser is a Committed Class B Purchaser, the Committed Purchaser Percentage and the Commitment of the Transferor Class B Purchaser and other rights, duties and obligations of the Transferor Class B Purchaser under the Certificate Purchase Agreement. This Supplement is intended by the parties hereto to effect a purchase by the Purchasing Class B Purchaser and sale by the Transferor Class B Purchaser of interests in the Class B Variable Funding Certificates, and it is not to be construed as a loan or a commitment to make a loan by the Purchasing Class B Purchaser to the Transferor Class B Purchaser. The Transferor Class B Purchaser hereby confirms that the amount of the Class B Invested Amount is $_____ and its Percentage Interest thereof is ___%, which equals $_____ as of _____ , 20__. Upon and after the Transfer Effective Date (until further modified in accordance with the Certificate Purchase Agreement), the Noncommitted Purchaser Percentage or Committed Purchaser Percentage, as applicable of the Transferor Class B Purchaser and the Purchasing Class B Purchaser and the Commitment, if any, of the Transferor Class B Purchaser and the Purchasing Class B Purchaser shall be as set forth in Schedule II to this Supplement.

(c) The Transferor Class B Purchaser has made arrangements with the Purchasing Class B Purchaser with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by the Transferor Class B Purchaser to the Purchasing Class B Purchaser of any fees heretofore received by the Transferor Class B Purchaser pursuant to the Certificate Purchase Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by the Purchasing Class B Purchaser to the Transferor Class B Purchaser of fees or interest received by the Purchasing Class B Purchaser pursuant to the Certificate Purchase Agreement or otherwise in respect of the Class B Variable Funding Certificates from and after the Transfer Effective Date.

(d) (i) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of the Transferor Class B Purchaser in respect of the Class B Variable Funding Certificates shall, instead, be payable to or for the account of the Transferor Class B Purchaser and the Purchasing Class B Purchaser, as the case may be, in accordance with their respective interests as reflected in this Supplement.

(ii) All interest, fees and other amounts that would otherwise accrue for the account of the Transferor Class B Purchaser from and after the Transfer Effective Date pursuant to the Certificate Purchase Agreement or in respect of the Class B Variable Funding Certificates shall, instead, accrue for the account of, and be payable to or for the account of, the Transferor Class B Purchaser and the Purchasing Class B Purchaser, as the case may be, in accordance with their respective interests as reflected in this Supplement. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by the Purchasing Class B Purchaser, the Transferor Class B Purchaser and the Purchasing Class B Purchaser will make appropriate arrangements for payment by the Transferor Class B Purchaser to the Purchasing Class B Purchaser of such amount upon receipt thereof from the Agent.

(e) Concurrently with the execution and delivery hereof, the Purchasing Class B Purchaser will deliver to the Transferor and the Trustee an

executed Investment Letter in the form of Exhibit A to the Certificate Purchase Agreement.

(f) Each of the parties to this Supplement agrees and acknowledges that (i) at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Supplement, and (ii) the Agent shall apply each payment made to it under the Certificate Purchase Agreement, whether in its individual capacity or as Agent, in accordance with the provisions of the Certificate Purchase Agreement, as appropriate.

(g) By executing and delivering this Supplement, the Transferor Class B Purchaser and the Purchasing Class B Purchaser confirm to and agree with each other, the Administrative Agent and the Agent and the Class B Purchasers as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, the Transferor Class B Purchaser makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Certificate Purchase Agreement or the Pooling and Servicing Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Certificate Purchase Agreement or any other instrument or document furnished pursuant thereto; (ii) the Transferor Class B Purchaser makes no representation or warranty and assumes no responsibility with respect to the Trust, the financial condition of the Servicer, the Transferor or the Trustee, or the performance or observance by the Servicer, the Transferor or the Trustee of any of their respective obligations under the Certificate Purchase Agreement, the Pooling and Servicing Agreement or any other instrument or document furnished pursuant hereto; (iii) each Purchasing Class B Purchaser confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Supplement; (iv) each Purchasing Class B Purchaser will,

independently and without reliance upon the Agent, the Transferor Class B Purchaser or any other Class B Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Certificate Purchase Agreement or the Pooling and Servicing Agreement; (v) each Purchasing Class B Purchaser appoints and authorizes the Agent and the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Certificate Purchase Agreement and the Pooling and Servicing Agreement as are delegated to the Agent or the Administrative Agent, as the case may be, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Section 7 of the Certificate Purchase Agreement; and (vi) each Purchasing Class B Purchaser agrees (for the benefit of the Transferor Class B Purchaser, the Agent, the Administrative Agent, the Class B Purchasers, the Trustee, the Servicer and the Transferor) that it will perform in accordance with their terms all of the obligations which by the terms of the Certificate Purchase Agreement are required to be performed by it as a Class B Purchaser.

(h) Schedule II hereto sets forth the revised Noncommitted Purchaser Percentage or the revised Committed Purchaser Percentage and Commitment of the Transferor Class B Purchaser, as applicable, the Noncommitted Purchaser Percentage or the Committed Purchaser Percentage, Commitment and Commitment Expiration Date of the Purchasing Class B Purchaser, as applicable, and the initial Investing Office of the Purchasing Class B Purchaser, as well as administrative information with respect to the Purchasing Class B Purchaser.

(i) This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
TRANSFER SUPPLEMENT

COMPLETION OF INFORMATION AND

SIGNATURES FOR TRANSFER SUPPLEMENT

Re: Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class B Purchasers party thereto and Bank One, NA (Main Office Chicago), as Agent and as Administrative Agent.

Item 1: Date of Transfer Supplement:

Item 2: Transferor Class B Purchaser:

Item 3: Purchasing Class B Purchaser:

Item 4: Signatures of Parties to Agreement:

_____
as Transferor Class B Purchaser

By: _____
Name:
Title:

By: _____
Name:
Title:

as Purchasing Class B Purchaser

By: _____
Name:
Title:

By: _____
Name:
Title:

ACCEPTED BY:

BANK ONE, NA (MAIN OFFICE CHICAGO), as Agent

By: _____
Name:
Title:

SCHEDULE II TO
TRANSFER SUPPLEMENT

LIST OF INVESTING OFFICES, ADDRESSES FOR NOTICES, ASSIGNED INTEREST, PURCHASE PERCENTAGE AND PURCHASE PRICE

[Transferor Class B Purchaser]

A. Noncommitted Class B Purchaser: Yes/No
_____

If applicable:

Noncommitted Purchaser Percentage:
Transferor Class B Purchaser
Noncommitted Purchaser Percentage

Prior to Sale: _____%

Noncommitted Purchaser Percentage Sold: _____%

Noncommitted Purchaser Percentage Retained: _____%

B. Committed Class B Purchaser: Yes/No
_____

If applicable:

Committed Purchaser Percentage:
Transferor Class B Purchaser
Committed Purchaser Percentage

Prior to Sale: _____%

Committed Purchaser Percentage Sold: _____%

Committed Purchaser Percentage Retained: _____%

Commitment:
Transferor Class B Purchaser Commitment

Prior to Sale: $_____

Commitment Sold: $_____

Commitment Retained: $_____

C. Class B Invested Amount:
Transferor Class B Purchaser
Class B Invested Amount Prior to Sale: $_____

Class B Invested Amount Sold: $_____

Class B Invested Amount Retained: $_____

D. Purchase Percentage: --------%
[Purchasing Class B Purchaser] _____

A. Noncommitted Class B Purchaser: Yes/No
_____

If applicable:

Initial Noncommitted Purchaser Percentage: _____%

B. Committed Class B Purchaser: Yes/No
_____

If applicable:

Committed Purchaser Percentage: _____%

Commitment: $_____

Commitment Expiration Date: _____

C. Class B Invested Amount Owned Immediately

After Sale: $_____

Address for Notices:
_____

Investing Office:
_____

SCHEDULE III TO
TRANSFER SUPPLEMENT

Form of
TRANSFER EFFECTIVE NOTICE

To: [Name and address of
Transferor, Servicer, Trustee, the Transferor Class B
Purchaser and the Purchasing Class B Purchaser]

The undersigned, as Agent under the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, as Transferor, FDS Bank, as Servicer, the Class B Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent for the Class B Purchasers and as Administrative Agent thereunder, acknowledges receipt of five executed counterparts of a completed Transfer Supplement. [Note: attach copies of Schedules I and II from such Agreement.] Terms defined in such Supplement are used herein as therein defined.

Pursuant to such Supplement, you are advised that the Transfer Effective Date will be _____, 20__.

Very truly yours,

BANK ONE, NA
(MAIN OFFICE CHICAGO),
as Agent

By: _____
Name:
Title:

SCHEDULE IV TO
TRANSFER SUPPLEMENT

Form of
CONSENT OF TRANSFEROR

To: JPMorgan Chase Bank, as Trustee
Bank One, NA (Main Office Chicago), as Agent

The undersigned hereby consents to the transfer, as of the Transfer Effective Date, of a [Noncommitted Purchaser Percentage/Committed Purchaser Percentage] equal to ____% [representing a Commitment in the amount of $_____] and a Class B Invested Amount under the Prime Credit Card Master Trust II Class B Variable Funding Certificates, Series 2002-1, in the amount of $_____, by _____ to _____, pursuant to the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among Prime II Receivables Corporation, FDS Bank, as Servicer, the Class B Purchasers parties thereto and Bank One, NA (Main Office Chicago), as Agent and as Administrative Agent.

Very truly yours,

PRIME II RECEIVABLES
CORPORATION, as Transferor

By: _____
Name:
Title:
FDS BANK, as Servicer

By: _____
Name:
Title:

Dated:_____
cc: Purchasing Class B Purchaser

[EXECUTION COPY]

Exhibit 10.24

- ----------

PRIME II RECEIVABLES CORPORATION

Transferor

FDS BANK

Servicer

and

JPMORGAN CHASE BANK

Trustee

on behalf of the Series 2002-1 Certificateholders

SERIES 2002-1 VARIABLE FUNDING SUPPLEMENT

Dated as of November 6, 2002

to

POOLING AND SERVICING AGREEMENT

Dated as of January 22, 1997

Class A Variable Funding Certificates, Series 2002-1

Class B Variable Funding Certificates, Series 2002-1

PRIME CREDIT CARD MASTER TRUST II

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SERIES 2002-1 VARIABLE FUNDING SUPPLEMENT, dated as of November 6, 2002 (this "VARIABLE FUNDING SUPPLEMENT") by and among PRIME II RECEIVABLES CORPORATION, a corporation organized and existing under the laws of the State of Delaware, as Transferor (the "Transferor"), FDS BANK ("FDSB"), a federal thrift institution organized and existing under the federal laws of the United States, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMORGAN CHASE BANK, a banking corporation organized and existing under the laws of State of New York, successor in interest to The Chase Manhattan Bank, as trustee (together with its successors in trust thereunder as provided in the Agreement referred to below, the "TRUSTEE") under the Pooling and Servicing Agreement dated as of January 22, 1997 (the "AGREEMENT") among the Transferor, the Servicer and the Trustee.

Section 6.9 of the Agreement provides, among other things, that the Transferor and the Trustee may at any time and from time to time enter into a supplement to the Agreement for the purpose of authorizing the issuance by the Trustee to the Transferor, for execution and redelivery to the Trustee for authentication, one or more Series of Certificates.

Pursuant to this Variable Funding Supplement, the Transferor and the Trustee shall create a new Series of Investor Certificates and shall specify the Principal Terms thereof.

SECTION 1. DESIGNATION. There is hereby created a Series of Investor Certificates to be issued pursuant to the Agreement and this Variable Funding

Supplement to be known generally as the "SERIES 2002-1 VARIABLE FUNDING CERTIFICATES." The Series 2002-1 Variable Funding Certificates shall be issued in two Classes, which shall be designated generally as the Class A Variable Funding Certificates, Series 2002-1 (the "CLASS A VARIABLE FUNDING CERTIFICATES"), and the Class B Variable Funding Certificates, Series 2002-1 (the "CLASS B VARIABLE FUNDING CERTIFICATES"). In addition, there is also hereby created a third Class of interest in the Trust which shall be deemed to be an "Investor Certificate" for all purposes under the Agreement and this Variable Funding Supplement, except as expressly provided herein, and which shall be known as the Class C Certificates, Series 2002-1 (the "CLASS C CERTIFICATES"). The Series 2002-1 Variable Funding Certificates and the Class C Certificates are collectively referred to sometimes in this Variable Funding Supplement as the "SERIES 2002-1 CERTIFICATES". There is hereby established a Group to be known as "Group I", in which the Series 2002-1 shall be included as the initial member. The Class C Certificates shall be Transferor Retained Certificates so long as and to the extent held of record by the Transferor.

SECTION 2. DEFINITIONS. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Agreement, the terms and provisions of this Variable Funding Supplement shall govern. All Article, Section or subsection references herein shall mean Article, Section or subsections of the Agreement, as amended or supplemented by this Variable Funding Supplement except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Agreement or in the applicable Certificate Purchase Agreement. Each capitalized term defined herein shall relate only to the Series 2002-1 Certificates and no other Series of Certificates issued by the Trust.

"AAA RESERVE ACCOUNT TRIGGER" shall mean, with respect to any Determination Date (i) the Payment Rate Percentage for the Monthly Period immediately preceding such Determination Date being less than 18%, (ii) the Delinquency Ratio for the Monthly Period immediately preceding such Determination Date being greater than 5%, or (iii) the Charge Off Ratio for the Monthly Period immediately preceding such Determination Date being greater than 10%.

"ADMINISTRATIVE AGENT" shall mean Bank One, NA (Main Branch Chicago), or any successor designated as the Administrative Agent in the Class A Certificate Purchase Agreement and the Class B Certificate Purchase Agreement.

"AMORTIZATION PERIOD" shall mean the period commencing on the Amortization Period Commencement Date and ending on the earlier to occur of (i) the date of termination of the Trust pursuant to Section 12.1 of the Agreement or (ii) the Series 2002-1 Termination Date.

"AMORTIZATION PERIOD COMMENCEMENT DATE" shall mean, initially, with respect to the Investor Certificates, the earlier of the first day of the November 2005 Monthly Period and the Pay Out Commencement Date, and, with respect to an Extension, the earlier of the date specified as such in the Extension Notice and the Pay Out Commencement Date.

"ANNUAL PORTFOLIO TURNOVER RATE" shall mean with respect to any Business Day during a Monthly Period, the aggregate of Receivables arising under Accounts from sales of goods and services or cash advances, excluding any portion thereof representing Periodic Finance Charges, Late Fees, annual membership fees or other fees and similar charges during each of the twelve Monthly Periods ending on the last day of the second preceding Monthly Period DIVIDED by the average of the aggregate Outstanding Balances of Receivables as of the last day of each such Monthly Period.

"ASSIGNEE" shall have the meaning specified in subsection 6.18(b) of the Agreement.

"AUTOMATIC ADDITION PERCENTAGE" shall mean for any date of determination (i) if an AAA Reserve Account Trigger has occurred and is continuing on such date of determination, 2.0%, and (ii) on any other date of determination, 0.0%; provided, that if a Reserve Account Increase Notice shall have been delivered and an AAA Reserve Account Trigger has occurred and is continuing, the Automatic Addition Percentage shall not exceed 100% minus the Enhancement Percentage then in effect.

"AVAILABLE RESERVE AMOUNT" shall mean, for any Business Day, the lesser of (i) the amount on deposit in the Reserve Account on such Business Day (after giving effect to any deposit to, or withdrawal from, the Reserve Account to be made with respect to such Business Day), and (ii) the Required Reserve Amount as of such Business Day.

"BASE RATE" shall mean, with respect to the Investor Certificates, the sum of (i) the weighted average of the annualized Class A Certificate Rate, the annualized Class B Certificate Rate and the annualized Class C Certificate Rate and (ii) the Series Servicing Fee Percentage per annum.

"CARRYOVER DISCOUNT AMOUNT" shall mean, for Series 2002-1 for any Business Day, the excess, if any, of (i) the sum of (A) the product of the Discount Allocation Percentage and the Discount Amount and (B) the Carryover Discount Amount for Series 2002-1 for the preceding Business Day over (ii) the amount of Principal Collections added to Total Finance Charge Collections for such Series on such preceding Business Day.

"CERTIFICATE PURCHASE AGREEMENTS" shall mean the Class A Certificate Purchase Agreement and the Class B Certificate Purchase Agreement.

"CHARGE OFF RATIO" shall mean, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is the Investor Default Amount for such Monthly Period and the denominator of which is the average daily Invested Amount during such Monthly Period.

"CLASS A ADDITIONAL PAYMENTS" shall mean amounts payable pursuant to Section 2.4 or 2.5 of the Class A Certificate Purchase Agreement in an aggregate amount not exceeding, for any Business Day, the product of (i) a fraction, the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) 0.25% and (iii) the Class A Invested Amount for such Business Day.

"CLASS A AGENT" shall mean Bank One, NA (Main Office Chicago), or any successor at the time designated as the Agent for the Class A Certificateholders under the Class A Certificate Purchase Agreement.

"CLASS A CARRYING COST DAILY FACTOR" shall mean, on any Business Day, the Class A Carrying Costs for such Business Day DIVIDED by the Class A Invested Amount for such Business Day.

"CLASS A CARRYING COSTS" shall mean, for any Business Day, the sum allocated to the Class A Certificates of (a) as to any Structured Purchaser, the amount of all accrued Commercial Paper Costs since the preceding Business Day and (b) as to the Committed Purchasers and any liquidity providers, the amount of all accrued Yield since the preceding Business Day.

"CLASS A CERTIFICATE PURCHASE AGREEMENT" shall mean the Class A Certificate Purchase Agreement, dated as of November 6, 2002, among the Transferor, the Servicer, the purchasers of Class A Certificates named therein and Bank One, NA (Main Office Chicago), as the Class A Agent and the Administrative Agent, as amended from time to time.

"CLASS A CERTIFICATE RATE" shall mean, with respect to the Class A Certificates, the Class A Carrying Cost Daily Factor.

"CLASS A CERTIFICATEHOLDER" shall mean any Person in whose name a Class A Certificate is registered in the Certificate Register.

"CLASS A CERTIFICATEHOLDERS' INTEREST" shall mean the portion of the Series 2002-1 Certificateholders' Interest evidenced by the Class A Certificates.

"CLASS A CERTIFICATES" shall mean any of the Certificates executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-1 hereto.

"CLASS A DAILY PRINCIPAL AMOUNT" shall have the meaning specified in subsection 4.6(e)(i) of the Agreement.

"CLASS A FLOATING ALLOCATION PERCENTAGE" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class A Invested Amount for such Business Day and the denominator of which is the sum of the amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day.

"CLASS A INITIAL INVESTED AMOUNT" shall mean the aggregate initial principal amount of the Class A Certificates on the Issuance Date.

"CLASS A INTEREST" shall mean with respect to any Business Day an amount equal to the product of the Class A Certificate Rate and the outstanding principal balance of the Class A Certificates as of the close of business on such Business Day.

"CLASS A INVESTED AMOUNT" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount, PLUS (b) the aggregate principal amount of any VFC Additional Class A Invested Amounts purchased by the Class A Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Agreement, MINUS (c) the aggregate amount of principal payments made to the Class A Certificateholders prior to such Business Day and MINUS (d) the excess, if any, of the aggregate amount of unreimbursed Class A Investor Charge-Offs for all Distribution Dates preceding such date over Class A Investor Charge-Offs reimbursed pursuant to subsection 4.8(c) of the Agreement prior to such Business Day.

"CLASS A INVESTOR CHARGE-OFF" shall have the meaning specified in subsection 4.8(c) of the Agreement.

"CLASS A INVESTOR PERCENTAGE" shall mean, for any Business Day, the Class A Invested Amount as a percentage of the Invested Amount on such Business Day.

"CLASS A PROGRAM FEE" shall mean the fees or other amounts payable pursuant to subsection 2.3(a) of the Class A Certificate Purchase Agreement, to the extent not included in Class A Carrying Costs.

"CLASS A REQUIRED AMOUNT" shall mean the amount, if any, by which (x) the sum of the amounts described in subsections 4.6(a)(i), (v), (vi) or (viii) of the Agreement during the Revolving Period or subsections 4.6(b)(i), (v), (vi) or (viii) or 4.6(c)(i), (v), (vi) or (viii) of the Agreement during the Amortization Period, as applicable, plus the Class A Investor Percentage of the amount described in subsection 4.6(a)(iv) of the Agreement during the Revolving Period, or subsection 4.6(b)(iv) or 4.6(c)(iv) of the Agreement during the Amortization Period, as applicable, exceeds (y) the Total Finance Charge Collections available for application thereto pursuant to subsections 4.6(a), (b) or (c) of the Agreement, as applicable, on any Business Day.

"CLASS A SUPPLEMENTAL PAYMENTS" shall mean, on any Business Day, the sum of all unpaid amounts owed to the Administrative Agent, the Class A Agent or any Class A Purchaser (as defined in the Class A Purchase Agreement) pursuant to the Class A Certificate Purchase Agreement which have arisen prior to such Business Day (including, without limitation, amounts payable pursuant to Section 2.4 or 2.5 of the Class A Purchase Agreement on any Business Day in excess of the maximum amount of Class A Additional Payments for such Business Day), other than Class A Interest, Class A Additional Payments and the unpaid principal amount of the Class A Certificates.

"CLASS B ADDITIONAL PAYMENTS" shall mean amounts payable pursuant to Section 2.4 or 2.5 of the Class B Certificate Purchase Agreement in an aggregate amount not exceeding, for any Business Day, the product of (i) a fraction, the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) 0.25% and (iii) the Class B Invested Amount for such Business Day.

"CLASS B AGENT" shall mean Bank One, NA (Main Office Chicago), or any successor at the time designated as the Agent for the Class B Certificateholders

under the Class B Certificate Purchase Agreement.

"CLASS B CARRYING COST DAILY FACTOR" shall mean, on any Business Day, the Class B Carrying Costs for such Business Day DIVIDED by the Class B Invested Amount for such Business Day.

"CLASS B CARRYING COSTS" shall mean, for any Business Day, the sum allocated to the Class B Certificates of (a) as to any Structured Purchaser, the amount of all accrued Commercial Paper Costs since the preceding Business Day and (b) as to the Committed Purchasers and any liquidity providers, the amount of all accrued Yield since the preceding Business Day.

"CLASS B CERTIFICATE PURCHASE AGREEMENT" shall mean the Class B Certificate Purchase Agreement, dated as of November 6, 2002, among the Transferor, the Servicer, the purchasers of Class B Certificates named therein and Bank One, NA (Main Office Chicago), as the Class B Agent and the Administrative Agent, as amended from time to time.

"CLASS B CERTIFICATE RATE" shall mean the Class B Carrying Cost Daily Factor.

"CLASS B CERTIFICATEHOLDER" shall mean any Person in whose name a Class B Certificate is registered in the Certificate Register.

"CLASS B CERTIFICATEHOLDERS' INTEREST" shall mean the portion of the Series 2002-1 Certificateholders' Interest evidenced by the Class B Certificates.

"CLASS B CERTIFICATES" shall mean any of the Certificates executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-2 hereto.

"CLASS B DAILY PRINCIPAL AMOUNT" shall have the meaning specified in subsection 4.6(e)(ii) of the Agreement.

"CLASS B FIXED/FLOATING ALLOCATION PERCENTAGE" shall mean, with respect to any Business Day, the percentage equivalent of a fraction the numerator of which is equal to the Class B Invested Amount for the day immediately following the last day of the Revolving Period and the denominator of which is equal to the greater of (x) the sum of the aggregate amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day and (y) the sum of the numerators used to calculate the allocation percentages with respect to Principal Receivables of all Series outstanding on such Business Day.

"CLASS B FLOATING ALLOCATION PERCENTAGE" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class B Invested Amount for such Business Day and the denominator of which is the sum of

the total amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day.

"CLASS B INITIAL INVESTED AMOUNT" shall mean the aggregate initial principal amount of the Class B Certificates on the Issuance Date.

"CLASS B INTEREST" shall mean, with respect to any Business Day, an amount equal to the product of the Class B Certificate Rate and the outstanding principal balance of the Class B Certificates as of the close of business on such Business Day.

"CLASS B INVESTED AMOUNT" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, PLUS (b) the aggregate principal amount of any VFC Additional Class B Invested Amounts purchased by the Class B Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Agreement, MINUS (c) the aggregate amount of principal payments made to Class B Certificateholders prior to such Business Day, MINUS (d) the aggregate amount of Class B Investor Charge-Offs and the amount of Reallocated Class B Principal Collections for all prior Business Days and PLUS (e) the aggregate amount allocated to the Class B Certificates and available on all prior Business Days in accordance with subsection 4.8(b) of the Agreement, for the purpose of reimbursing amounts

deducted pursuant to the foregoing clause (d).

"CLASS B INVESTOR CHARGE-OFF" shall have the meaning specified in subsection 4.8(b) of the Agreement.

"CLASS B INVESTOR PERCENTAGE" shall mean, for any Business Day, the Class B Invested Amount as a percentage of the Invested Amount on such Business Day.

"CLASS B PRINCIPAL PAYMENT COMMENCEMENT DATE" shall mean, following an Amortization Period Commencement Date, the earlier of (a) the Business Day on which the Class A Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 2002-1 Certificates remaining after payments have been made to the Class A Certificates on such Business Day, the Business Day following the Business Day on which the Class A Invested Amount is paid in full and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(d), 9.2, 10.2, 12.1 or 12.2 of the Agreement or Section 3 of this Variable Funding Supplement.

"CLASS B PROGRAM FEE" shall mean the fees payable pursuant to subsection 2.3(a) of the Class B Certificate Purchase Agreement, to the extent not included in Class B Carrying Costs.

"CLASS B REQUIRED AMOUNT" shall mean the amount, if any, by which (x) the sum of the amounts described in subsections 4.6(a)(ii), (v), (vii) or (ix) of the Agreement during the Revolving Period or subsections 4.6(b)(ii), (v), (vii) or (ix) or 4.6(c)(ii), (v), (vii) or (ix) of the Agreement during the Amortization Period, as applicable, plus the Class B Investor Percentage of the amount described in subsection 4.6(a)(iv) of the Agreement during the Revolving Period, or subsection 4.6(b)(iv) or 4.6(c)(iv) of the Agreement during the Amortization Period, as applicable, exceeds (y) the Total Finance Charge Collections available

for application thereto pursuant to subsections 4.6(a), (b) or (c) of the Agreement, as applicable, on any Business Day.

"CLASS B SUPPLEMENTAL PAYMENTS" shall mean, on any Business Day, the sum of all unpaid amounts owed to the Administrative Agent, the Class B Agent or any Class B Purchaser (as defined in the Class B Purchase Agreement) pursuant to the Class B Certificate Purchase Agreement which have arisen prior to such Business Day (including, without limitation, amounts payable pursuant to Section 2.4 or 2.5 of the Class B Purchase Agreement on any Business Day in excess of the maximum amount of Class B Additional Payments for such Business Day), other than Class B Interest, Class B Additional Payments and the unpaid principal amount of the Class B Certificates.

"CLASS C ADDITIONAL INTEREST" shall have the meaning specified in subsection 6.17(c) of the Agreement.

"CLASS C ASSIGNEE" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"CLASS C CERTIFICATE RATE" shall mean 0% per annum; PROVIDED, HOWEVER, that such rate may be increased pursuant to the terms of a supplemental agreement entered into in accordance with subsection 6.17(c) of the Agreement.

"CLASS C CERTIFICATEHOLDER" shall mean any Person in whose name a Class C Certificate is registered in the Certificate Register.

"CLASS C CERTIFICATEHOLDERS' INTEREST" shall mean the portion of the Series 2002-1 Certificateholders' Interest evidenced by the Class C Certificates.

"CLASS C CERTIFICATES" shall mean any of the Certificates executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-3 hereto.

"CLASS C DAILY PRINCIPAL AMOUNT" shall have the meaning specified in subsection 4.6(e)(iii) of the Agreement.

"CLASS C FIXED/FLOATING ALLOCATION PERCENTAGE" shall mean, with respect to any Business Day, the percentage equivalent of a fraction the numerator of which is equal to the Class C Invested Amount for the day immediately following the

last day of the Revolving Period and the denominator of which is equal to the greater of (x) the sum of the aggregate amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day and (y) the sum of the numerators used to calculate the allocation percentages with respect to Principal Receivables of all Series outstanding on such Business Day.

"CLASS C FLOATING ALLOCATION PERCENTAGE" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class C Invested Amount for such Business Day and the denominator of which is the sum of

the total amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day.

"CLASS C INITIAL INVESTED AMOUNT" shall mean the aggregate initial principal amount of the Class C Certificates on the Issuance Date.

"CLASS C INTEREST" shall have the meaning specified in subsection 6.17(c) of the Agreement.

"CLASS C INTEREST SHORTFALL" shall have the meaning specified in subsection 6.17(c) of the Agreement.

"CLASS C INVESTED AMOUNT" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class C Initial Invested Amount, PLUS (b) the aggregate principal amount of any VFC Additional Class C Invested Amounts purchased by the Class C Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Agreement, MINUS (c) the aggregate amount of principal payments made to Class C Certificateholders prior to such Business Day, MINUS (d) the aggregate amount of Class C Investor Charge-Offs and the amount of Reallocated Class C Principal Collections for all prior Business Days and PLUS (e) the aggregate amount allocated to the Class C Certificates and available on all prior Business Days in accordance with subsection 4.9(b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (d).

"CLASS C INVESTOR CHARGE-OFF" shall have the meaning specified in subsection 4.8(a) of the Agreement.

"CLASS C INVESTOR PERCENTAGE" shall mean, for any Business Day, the Class C Invested Amount as a percentage of the Invested Amount on such Business Day.

"CLASS C PRINCIPAL PAYMENT COMMENCEMENT DATE" shall mean, following an Amortization Period Commencement Date, the earlier of (a) the Business Day on which the Class A Invested Amount and the Class B Invested Amount are paid in full or, if there are no Principal Collections allocable to the Series 2002-1 Variable Funding Certificates remaining after payments have been made to the Class A Certificates and the Class B Certificates on such Business Day, the Business Day following the Business Day on which the Class A and the Class B Invested Amount are paid in full and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(d), 9.2, 10.2, 12.1 or 12.2 of the Agreement or Section 3 of this Variable Funding Supplement.

"CLOSING DATE" shall mean November 6, 2002.

"DELINQUENCY RATIO" shall mean, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the aggregate amount of all Receivables that were more than 60 days past due as of the end of each billing cycle during such Monthly Period and the denominator of which is the aggregate amount of all Receivables as of the end of each billing cycle during such Monthly Period.

"DISCOUNT ALLOCATION PERCENTAGE" shall mean with respect to Series 2002-1 and any Business Day the percentage equivalent of a fraction the numerator of which is the Series 2002-1 Discount Factor and the denominator of which is the Discount Factor on such Business Day.

"DISCOUNT AMOUNT" shall mean for any Business Day the Discount Factor

multiplied by the Outstanding Balance of Receivables transferred to the Trust on such Business Day.

"DISCOUNT FACTOR" shall mean for any Business Day an amount equal to the sum of each Series Discount Factor for all Series then outstanding on such Business Day.

"DISCOUNT TRIGGER EVENT" shall mean for any Business Day (i) the Discount Factor for the second preceding Monthly Period being in excess of zero, (ii) the Transferor having elected, by not less than 30 days' prior written notice to the Servicer, the Trustee, the Rating Agencies and the Administrative Agent, to commence discounting of purchases of Receivables, and (iii) the Rating Agencies and the Administrative Agent on behalf of the Class A Certificateholders and Class B Certificateholders having consented in writing (a copy of which is delivered to the Trustee) to such discounting of purchases of Receivables on or prior to such Business Day and having not revoked such consent in writing (a copy of which is to be delivered to the Trustee).

"DISTRIBUTION DATE" shall mean the 15th day of each month or, if such 15th day is not a Business Day, the next succeeding Business Day, and the Scheduled Series 2002-1 Termination Date.

"ELECTION DATE" shall have the meaning specified in subsection 6.16(a) of the Agreement.

"ELECTION NOTICE" shall have the meaning specified in subsection 6.16(a) of the Agreement.

"ENHANCEMENT" shall mean with respect to the Class A Certificates, the subordination of the Class B Invested Amount and the Class C Invested Amount and the Reserve Account and, with respect to the Class B Certificates, the subordination of the Class C Invested Amount and the Reserve Account; PROVIDED, HOWEVER that neither the Holders of the Class B Certificates nor the Holders of the Class C Certificates nor any provider of amounts on deposit in the Reserve Account shall be an "Enhancement Provider" for the purposes of the Agreement or this Supplement.

"ENHANCEMENT PERCENTAGE" shall mean, 0.0% for each Business Day from the Closing Date to and excluding the Determination Date which occurs during the December 2002 Monthly Period, and thereafter for each Business Day during the period commencing on a Determination Date to but excluding the next following Determination Date (an "ENHANCEMENT PERCENTAGE DETERMINATION PERIOD"), the greater of (i) the sum of the Excess Spread Enhancement Cap Percentage for the Monthly Period immediately preceding such Enhancement Percentage Determination Period and the Payment Rate Enhancement Cap Percentage for such Monthly Period and (ii) the Enhancement Percentage for

the preceding Enhancement Percentage Determination Period minus 1.0%; PROVIDED that so long as no Reserve Account Increase Notice shall have been delivered, the Enhancement Percentage shall not exceed 4.0%, and PROVIDED FURTHER that if a Reserve Account Increase Notice shall have been delivered, the Enhancement Percentage shall at all times thereafter equal 100%.

"EXCESS FINANCE CHARGE COLLECTIONS" shall mean, with respect to any Business Day, as the context requires, either (x) the amount described in subsection 4.6(a)(xvi) of the Agreement during the Revolving Period or subsection 4.6(b)(xii) or 4.6(c)(xvi) of the Agreement, as applicable, during the Amortization Period allocated to the Series 2002-1 Certificates but available to cover shortfalls in amounts paid from Finance Charge Collections for other Series, if any, or (y) the aggregate amount of Total Finance Charge Collections allocable to other Series in excess of the amounts necessary to make required payments with respect to such Series, if any, and available to cover shortfalls with respect to the Series 2002-1 Certificates.

"EXCESS PURCHASE ACCOUNT" shall have the meaning specified in subsection 4.10(a) of the Agreement.

"EXCESS SPREAD PERCENTAGE" shall mean, for a Monthly Period, (a) the lesser of (i) the aggregate Total Finance Charge Collections deposited in the Collection Account on each Business Day during such Monthly Period and (ii) the sum for each Business Day during such Monthly Period of the product of the Floating Allocation Percentage for Series 2002-1 and the amount of Finance

Charge Collections for such Business Day, MINUS (b) the sum for each Business Day during such Monthly Period of the product of the Floating Allocation Percentage for Series 2002-1 and the amount of Finance Charge Collections for such Business Day described in clause (e) of the definition of the term "Finance Charge Collections" in Section 1.1 of the Agreement, MINUS (c) the aggregate amounts withdrawn from the Collection Account during such Monthly Period pursuant to subsections 4.6(a)(i) through (vii), (x), (xi) or (xv), 4.6(b)(i) through (vii) or (x) or 4.6(c)(i) through (vii), (x), (xi) or (xv) of the Agreement, as applicable, during such Monthly Period, expressed as an annualized percentage of the average daily Invested Amount during such Monthly Period.

"EXCESS SPREAD ENHANCEMENT CAP PERCENTAGE" shall mean, for any Monthly Period, if the average of the Excess Spread Percentages for such Monthly Period and the two preceding Monthly Periods (or (i) in the case of the November 2002 Monthly Period, for such Monthly Period, and (ii) in the case of the December 2002 Monthly Period, for such Monthly Period and the November 2002 Monthly Period) is greater than the percentage (if any) set forth in the left-hand column below and less than or equal to the percentage (if any) set forth in the middle column below, the percentage set forth opposite such percentages in the right-hand column below:

<TABLE>
<CAPTION>

Three-Month Average Excess Spread Percentage		Excess Spread Enhancement Cap Percentage
-----	-----	----------
<S>	<C>	<C>
5.00%	--	0.00%
4.00%	5.00%	1.00%

</TABLE>

<TABLE>

<S>	<C>	<C>
3.00%	4.00%	2.00%
2.00%	3.00%	3.00%
--	2.00%	4.00%

</TABLE>

PROVIDED, that following any date on which the Excess Spread Enhancement Cap Percentage for a Monthly Period shall have increased from the percentage applicable to the prior Monthly Period, such increased Excess Spread Enhancement Cap Percentage shall not thereafter be reduced until the Monthly Period for which both (i) the average of the Excess Spread Percentages for such Monthly Period and the two preceding Monthly Periods (or, if less, the number of Monthly Periods which have been completed following the November 2002 Monthly Period) and (ii) the average of the Excess Spread Percentages for such Monthly Period and the five preceding Monthly Periods (or, if less, the number of Monthly Periods which have been completed following the November 2002 Monthly Period) would, based on the percentages (if any) set forth in the left-hand and middle columns above, have resulted in a lower Excess Spread Enhancement Cap Percentage in the right-hand column above, and the amount of any reduction for a Monthly Period shall not exceed 1.00%.

"EXTENSION" shall mean the procedure by which all or a portion of the Investor Certificateholders consent to the extension of the Revolving Period to the new Amortization Period Commencement Date set forth in the Extension Notice, pursuant to Section 6.16 of the Agreement.

"EXTENSION DATE" shall mean the last day of the October 2005 Monthly Period or if an Extension has already occurred, the date of the next Extension Date set forth in the Extension Notice relating to the Extension then in effect (or, if any such date is not a Business Day, the next preceding Business Day).

"EXTENSION NOTICE" shall have the meaning specified in subsection 6.16(a) of the Agreement.

"EXTENSION OPINION" shall have the meaning specified in subsection 6.16(a) of the Agreement.

"EXTENSION TAX OPINION" shall have the meaning specified in subsection

6.16(a) of the Agreement.

"FEE LETTERS" shall mean the Class A Fee Letter and the Class B Fee Letter.

"FIXED/FLOATING ALLOCATION PERCENTAGE" shall mean for any Business Day the percentage equivalent of a fraction, the numerator of which the Invested Amount for the day immediately following the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day and (b) the sum of the numerators used to calculate the allocation percentages with respect to Principal Receivables of all Series outstanding on such Business Day.

"FLOATING ALLOCATION PERCENTAGE" shall mean for any Business Day the sum of the applicable Class A Floating Allocation Percentage, Class B Floating Allocation Percentage and the Class C Floating Allocation Percentage for such Business Day.

"INITIAL INVESTED AMOUNT" shall mean the aggregate initial principal amount of the Series 2002-1 Certificates on the Issuance Date.

"INTERCHANGE COLLECTIONS" shall mean, with respect to Series 2002-1 on any Business Day, the product of the Floating Allocation Percentage for Series 2002-1 and the amount of Interchange for such Business Day.

"INTEREST FUNDING ACCOUNT" shall have the meaning specified in subsection 4.11(a) of the Agreement.

"INVESTED AMOUNT" shall mean, when used with respect to any Business Day, an amount equal to the sum of (a) the Class A Invested Amount as of such date, (b) the Class B Invested Amount as of such date and (c) the Class C Invested Amount as of such date.

"INVESTOR CERTIFICATES" shall mean the Class A Certificates, the Class B Certificates and the Class C Certificates.

"INVESTOR CHARGE-OFFS" shall mean the sum of Class A Investor Charge-Offs, Class B Investor Charge-Offs and the Class C Investor Charge-Offs.

"INVESTOR DEFAULT AMOUNT" shall mean, with respect to each Business Day, an amount equal to the product of the aggregate Default Amount for all Defaulted Accounts on such Business Day and the Floating Allocation Percentage applicable for such Business Day.

"INVESTOR PERCENTAGE" shall mean for any Business Day, (a) with respect to (i) Receivables in Defaulted Accounts or any Uncovered Dilution Amount at any time, (ii) Finance Charge Collections so long as no Pay Out Event has occurred with respect to the Series 2002-1 or any other Series, and (iii) Principal Collections during the Revolving Period, the Floating Allocation Percentage and (b) with respect to (i) Finance Charge Collections if a Pay Out Event has occurred with respect to the Series 2002-1 or any other Series and (ii) Principal Collections during the Amortization Period, the Fixed/Floating Allocation Percentage.

"INVESTOR SERVICING FEE" shall mean for any Business Day, an amount equal to the product of (i) a fraction, the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is the actual number of days in the year, (ii) the Series Servicing Fee Percentage and (iii) the Invested Amount for such Business Day.

"INVESTOR UNCOVERED DILUTION AMOUNT" shall mean, with respect to each Business Day, an amount equal to the product of the Uncovered Dilution Amount for such Business Day and the Floating Allocation Percentage applicable for such Business Day.

"ISSUANCE DATE" shall mean the initial date on which the Investor Certificates are issued.

"LIQUIDITY TRANSFER" shall have the meaning specified in subsection 6.18(b) of the Agreement.

"MAXIMUM FACILITY AMOUNT" shall mean for any Business Day, the sum of (i) the aggregate Commitments, as defined in the Class A Certificate Purchase Agreement, plus (ii) the aggregate Commitments, as defined in the Class B Certificate Purchase Agreement on such Business Day.

"MINIMUM TRANSFEROR PERCENTAGE" shall mean 2.0%.

"MONTHLY PERIOD" shall have the meaning specified in the Agreement, except that the first Monthly Period with respect to the Series 2002-1 Certificates shall begin on and include the Closing Date and shall end on and include November 30, 2002.

"NET FINANCE CHARGE PORTFOLIO YIELD" shall mean, for Series 2002-1 with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is the amount of Finance Charge Collections allocable to Series 2002-1 for such Monthly Period, calculated on a cash basis after subtracting the Investor Default Amount applicable to Series 2002-1 for such Monthly Period, and the denominator of which is the average daily Invested Amount of Series 2002-1 during such Monthly Period.

"NET PRINCIPAL COLLECTIONS" shall mean, for Series 2002-1 on any Business Day, the sum of (i) the product, during the Revolving Period, of the Floating Allocation Percentage for Series 2002-1 and, during the Amortization Period, of the Fixed/Floating Allocation Percentage for Series 2002-1 and the amount of Principal Collections on such Business Day MINUS on and after the occurrence of and during the continuance of a Discount Trigger Event (ii) the lesser of (a) the sum of (x) the product of the Discount Allocation Percentage for Series 2002-1 and the Discount Amount for such Business Day and (y) the Carryover Discount Amount for Series 2002-1 for such Business Day and (b) the amount determined in clause (i).

"PAY OUT COMMENCEMENT DATE" shall mean the date on which a Trust Pay Out Event is deemed to occur pursuant to Section 9.1 of the Agreement or a Series 2002-1 Pay Out Event is deemed to occur pursuant to Section 10 of this Variable Funding Supplement.

"PAYMENT RATE ENHANCEMENT CAP PERCENTAGE" shall mean, for any Monthly Period, if the average of the Payment Rate Percentages for such Monthly Period and the two preceding Monthly Periods (or (i) in the case of the November 2002 Monthly Period, for such Monthly Period, and (ii) in the case of the December 2002 Monthly Period, for such Monthly Period and the November 2002 Monthly Period) is greater than the percentage (if any) set forth in the left-hand column below and less than or equal to the percentage (if any) set forth in the middle column below, the percentage set forth opposite such percentages in the right-hand column below:

<TABLE>
<CAPTION>

Three-Month Average Payment Rate Percentage		Payment Rate Enhancement Cap Percentage
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<S>	<C>	<C>
30.00%	--	0.00%
25.00%	30.00%	1.00%
--	25.00%	2.00%

</TABLE>

PROVIDED, that following any date on which the Payment Rate Enhancement Cap Percentage for a Monthly Period shall have increased from the percentage applicable to the prior Monthly Period, such increased Payment Rate Enhancement Cap Percentage shall not thereafter be reduced until the Monthly Period for which both (i) the average of the Payment Rate Percentages for such Monthly Period and the two preceding Monthly Periods (or, if less, the number of Monthly

Periods which have been completed following the November 2002 Monthly Period) and (ii) the average of the Payment Rate Percentages for such Monthly Period and the five preceding Monthly Periods (or, if less, the number of Monthly Periods which have been completed following the November 2002 Monthly Period) would, based on the percentages (if any) set forth in the left-hand and middle columns above, have resulted in a lower Payment Rate Enhancement Cap Percentage in the right-hand column above, and the amount of any reduction for a Monthly Period shall not exceed 1.00%.

"PAYMENT RATE PERCENTAGE" shall mean, for a Monthly Period, the aggregate Net Principal Collections deposited into the Collection Account during such Monthly Period, expressed as a percentage of (i) during the Revolving Period, Floating Allocation Percentage for Series 2002-1 times the Principal Receivables on the first day of such Monthly Period, and (ii) during the Amortization Period, the Fixed/Floating Allocation Percentage for Series 2002-1 times the Principal Receivables on the first day of such Monthly Period.

"PORTFOLIO YIELD" shall mean for the Series 2002-1 Certificates, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is an amount equal to the aggregate Total Finance Charge Collections allocated to the Series 2002-1 Certificates for such Monthly Period, calculated on a cash basis, minus the aggregate Investor Default Amounts for each Business Day during such Monthly Period, and the denominator of which is the average daily Invested Amount during such Monthly Period.

"PRINCIPAL ACCOUNT" shall have the meaning specified in subsection 4.11(a) of the Agreement.

"PRINCIPAL SHORTFALLS" shall mean, as the context requires, either (a) the amounts specified as such in the Supplement for any other Series or (b) with respect to the Series 2002-1 Certificates, the amount specified as such in subsection 4.6(f) of the Agreement.

"PROCEEDS ACCOUNT" shall have the meaning specified in Section 4.12 of the Agreement.

"RATING AGENCY" shall mean each of Moody's and Standard & Poor's.

"RATING AGENCY CONDITION" shall mean, with respect to any action or series of related actions or proposed transaction or series or related proposed transactions, that each Rating Agency shall have notified the Administrative Agent in writing that such action or series of related actions or proposed transaction or series or related proposed transactions will not result in a reduction or withdrawal of the rating of any commercial paper notes or other short-term or intermediate term obligation issued by any Structured Purchaser (as defined in either the Class A Purchase Agreement or the Class B Purchase Agreement) or in a reduction in any informal long-term rating assigned by such Rating Agency to the Class A Certificates or the Class B Certificates.

"REALLOCATED CLASS B PRINCIPAL COLLECTIONS" shall have the meaning specified in subsection 4.7(d) of the Agreement.

"REALLOCATED CLASS C PRINCIPAL COLLECTIONS" shall have the meaning specified in subsection 4.7(c) of the Agreement.

"REQUIRED CLASS B INVESTED AMOUNT" shall mean, (a) for any Business Day during the Revolving Period, an amount equal to 12.5% of the Class A Invested Amount on such Business Day or (b) for any Business Day if, on or prior to such Business Day, there have been any reductions in the Class B Invested Amount pursuant to clause (d) of the definition of such term or if the Amortization Period shall have commenced, an amount equal to the Required Class B Invested Amount on the Business Day immediately preceding such reduction or commencement; PROVIDED that from and after the Class B Principal Payment Commencement Date, the Required Class B Invested Amount shall equal $0.

"REQUIRED CLASS C INVESTED AMOUNT" shall mean, (a) for any Business Day during the Revolving Period, an amount equal to the greater of (i) 10% of the Invested Amount on such Business Day or (ii) 5% of the Maximum Facility Amount on such Business Day, or (b) for any Business Day if, on or prior to such Business Day, there have been any reductions in the Class C Invested Amount

pursuant to clause (d) of the definition of such term or if the Amortization Period shall have commenced, an amount equal to the Required Class C Invested Amount on the Business Day immediately preceding such reduction or commencement; PROVIDED that from and after the Class C Principal Payment Commencement Date, the Required Class C Invested Amount shall equal $0.

"REQUIRED RESERVE AMOUNT" shall mean, with respect to any Business Day, the product of (i) the sum of (A) Automatic Addition Percentage for such Business Day, and (B) the Enhancement Percentage for such Business Day, times (ii) during the Revolving Period, the Invested Amount on such Business Day or, during the Amortization Period, the Invested Amount on the last day of the Revolving Period; PROVIDED that during the Amortization Period, the Required Reserve Amount on any Business Day shall not exceed the Invested Amount on such Business Day.

"RESERVE ACCOUNT" shall have the meaning specified in subsection 4.9(a) of the Agreement.

"RESERVE ACCOUNT INCREASE NOTICE" shall mean a written notice delivered by the Administrative Agent to the Servicer pursuant to the Class A Certificate Purchase Agreement at the instruction of the Class A Certificateholders or pursuant to the Class B Certificate Purchase Agreement at the instruction of the Class B Certificateholders stating that a Termination Event shall have occurred thereunder and directing that the Enhancement Percentage be increased to 100%.

"REVOLVING PERIOD" shall mean (a) the period from and including the Closing Date to, but not including, the Amortization Period Commencement Date, or (b) with respect to an Extension, the period beginning on the Extension Date and ending on the date specified in the Extension Notice.

"SCHEDULED SERIES 2002-1 TERMINATION DATE" shall mean November 3, 2007 unless a different date shall be set forth in the Extension Notice.

"SERIES 2002-1" shall mean the Series of the Prime Credit Card Master Trust II represented by the Series 2002-1 Certificates.

"SERIES 2002-1 CERTIFICATEHOLDER" shall mean the Holder of any Series 2002-1 Certificate.

"SERIES 2002-1 CERTIFICATEHOLDERS' INTEREST" shall have the meaning specified in Section 4.4 of the Agreement.

"SERIES 2002-1 CERTIFICATES" shall have the meaning specified in Section 1 of this Variable Funding Supplement.

"SERIES 2002-1 DISCOUNT FACTOR" shall mean with respect to Series 2002-1 for any Business Day, the amount for Series 2002-1, if any, calculated as of the second preceding Monthly Period, by which either (x) (a) the product of (i) the Base Rate plus one-half of one percent MINUS the Net Finance Charge Portfolio Yield divided by the Annual Portfolio Turnover Rate and (ii) the Floating Allocation Percentage exceeds (b) zero or, (y) solely at the option of the Transferor, the amount by which (a) the product of (i) the Base Rate plus one percent MINUS the Net Finance Charge Portfolio Yield divided by the Annual Portfolio Turnover Rate and (ii) the Floating Allocation Percentage exceeds (b) zero; PROVIDED, HOWEVER, that the Series Discount Factor shall not exceed 4.00%.

"SERIES 2002-1 PAY OUT EVENT" shall have the meaning specified in Section 10 of this Variable Funding Supplement.

"SERIES 2002-1 SHORTFALL" shall mean the amount, if any, by which (x) the sum of the amounts described in subsections 4.6(a)(i) through (xv) of the Agreement during the Revolving Period or subsections 4.6(b)(i) through (xi) or 4.6(c)(i) through (xv) of the Agreement during the Amortization Period, as applicable, exceeds (y) the Total Finance Charge Collections available for application thereto pursuant to subsections 4.6(a), (b) or (c) of the Agreement, as applicable, on any Business Day.

"SERIES 2002-1 TERMINATION DATE" shall mean the earlier to occur of (i) the day after the Distribution Date on which the Series 2002-1 Certificates are paid in full including any Supplemental Payments, or (ii) the Scheduled Series 2002-1 Termination Date.

"SERIES 2002-1 VARIABLE FUNDING CERTIFICATES" shall have the meaning specified in Section 1 of this Variable Funding Supplement.

"SERIES SERVICING FEE PERCENTAGE" shall mean 2.00%.

"SHARED PRINCIPAL COLLECTIONS" shall mean, as the context requires, either (a) the amount allocated to the Series 2002-1 Certificates which, in accordance with subsections 4.6(e)(iii) and 4.6(f) of the Agreement, may be applied to Principal Shortfalls with respect to other outstanding Series or (b) the amounts allocated to the investor certificates of other Series which the applicable Supplements for such Series specify are to be treated as "Shared Principal Collections" and which may be applied to cover Principal Shortfalls with respect to the Series 2002-1 Certificates.

"TARGETED HOLDER" shall mean (i) each holder of a right to receive interest, principal or any other amount with respect to any Class C Certificate or any other certificates or other interest in the Trust, excluding any certificates or other interest in the Trust (including, if applicable, the Class A Variable Funding Certificates and the Class B Variable Funding Certificates) with respect to which an opinion is rendered that such certificates or other such interests will be treated as debt for federal income tax purposes, and (iii) any holder of a right to receive any amount in respect of the Transferor Interest; PROVIDED, that any Person holding more than one interest each of which would cause such Person to be a Targeted Holder shall be treated as a single Targeted Holder.

"TERMINATION EVENT" shall mean the occurrence of any event or condition constituting a "Termination Event" in the Class A Certificate Purchase Agreement or the Class B Certificate Purchase Agreement.

"TERMINATION PAYMENT DATE" shall mean the earlier of the first Distribution Date following the liquidation or sale of the Receivables as a result of an insolvency or bankruptcy event and the occurrence of the Scheduled Series 2002-1 Termination Date.

"TOTAL FINANCE CHARGE COLLECTIONS" shall mean, with respect to Series 2002-1 on any Business Day, the sum of (i) the product of applicable Investor Percentage for the Series 2002-1 and the amount of Finance Charge Collections for such Business Day, PLUS (ii) on and after the occurrence of and during the continuance of a Discount Trigger Event the lesser of (a) the sum of (x) the product of the Discount Allocation Percentage for Series 2002-1 and the Discount Amount for such Business Day and (y) the Carryover Discount Amount for Series 2002-1 for such Business Day and (b) the product of the applicable Investor Percentage for the Series 2002-1 and the amount of Principal Collections for such Business Day, PLUS (iii) available cash investment earnings for such Business Day on amounts on deposit in the Reserve Account to the extent such earnings are to be treated as Total Finance Charge Collections in accordance with subsection 4.9(b), PLUS (iv) available cash investment earnings

for such Business Day on amounts on deposit in the Interest Funding Account, the Principal Account, the Proceeds Account or the Excess Purchase Account.

"TRANSFER" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"VFC ADDITIONAL CLASS A INVESTED AMOUNT" shall have the meaning specified in subsection 6.15(a) of the Agreement.

"VFC ADDITIONAL CLASS B INVESTED AMOUNT" shall have the meaning specified in subsection 6.15(a) of the Agreement.

"VFC ADDITIONAL CLASS C INVESTED AMOUNT" shall have the meaning specified in subsection 6.15(a) of the Agreement.

"VFC ADDITIONAL INVESTED AMOUNT" shall have the meaning specified in subsection 6.15(a) of the Agreement.

"VFC PRINCIPAL COLLECTIONS" shall mean amounts specified as such in subsections 4.6(a)(v), 4.6(a)(vi), 4.6(a)(vii), 4.6(a)(x) and 4.6(d) of the Agreement.

SECTION 3. REASSIGNMENT AND TRANSFER TERMS.

(a) The Series 2002-1 Certificates shall be subject to termination by the Transferor, at its option in accordance with the terms specified in subsection 12.2(a) of the Agreement on any Distribution Date on which the Invested Amount shall be less than 10% of the highest Invested Amount since the Closing Date. The deposit required in connection with any such termination and final distribution shall be equal to the Invested Amount plus (i) all accrued and unpaid interest on the Series 2002-1 Certificates, (ii) all accrued and unpaid Class A Program Fees, (iii) all unpaid Class A Additional Payments and Class A Supplemental Payments, (iv) all accrued and unpaid Class B Program Fees, and (v) all unpaid Class B Additional Payments and Class B Supplemental Payments, through the day prior to the Distribution Date on which the repurchase occurs.

(b) In no event shall the Class C Certificates or any interest therein be transferred, sold, exchanged, pledged, participated or otherwise assigned, in whole or in part, unless the Transferor shall have consented in writing to such transfer and unless (1) the Rating Agency Condition shall have been satisfied, and (2) the Trustee shall have received an Opinion of Counsel that such transfer does not (i) adversely affect the conclusions reached in any of the federal income tax opinions dated the applicable Closing Date issued in connection with the original issuance of any Series of Investor Certificates or (ii) result in a taxable event to the holders of any such Series.

(c) Each Series 2002-1 Certificateholder, by accepting and holding a Series 2002-1 Certificate or interest therein, will be deemed to have represented and warranted that it is not (i) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Code, or

(iii) an entity whose underlying assets include plan assets by reason of a plan's investment in the entity.

SECTION 4. DELIVERY AND PAYMENT FOR THE SERIES 2002-1 CERTIFICATES. The Transferor shall execute and deliver the Series 2002-1 Certificates to the Trustee for authentication in accordance with Section 6.1 of the Agreement. The Trustee shall deliver the Series 2002-1 Certificates when authenticated in accordance with Section 6.2 of the Agreement.

SECTION 5. DEPOSITARY; FORM OF DELIVERY OF SERIES 2002-1 CERTIFICATES. The Class A Certificates, the Class B Certificates and the Class C Certificates shall be delivered as Definitive Certificates as provided in Section 6.12 of the Agreement.

SECTION 6. ADDITION AND REMOVAL OF ACCOUNTS. (a) Paragraph (b) of the definition of "AUTOMATIC ADDITIONAL ACCOUNT" in Section 1.1 of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

"(b) any other consumer revolving credit card account, Receivables from which each Rating Agency permits to be added automatically to the Trust; PROVIDED:

(i) the Rating Agency Condition shall have been satisfied with respect to the inclusion of such accounts as Automatic Additional Accounts pursuant to this paragraph (b); and

(ii) the Administrative Agent on behalf of the Class A Certificateholders and Class B Certificateholders shall have consented in writing to including as Automatic Additional Accounts any Accounts the receivables of which have been purchased (but the accounts of which have not been originated) by the Originator or any VISA(R) or MasterCard(R) revolving credit card accounts which have not been originated by the Originator in accordance with the Credit and Collection Policy substantially as in effect on the Closing Date (subject to changes therein which would not materially and adversely affect the interests of the Series 2002-1 Certificateholders) with

respect to the retail operating subsidiaries of Federated as at the Closing Date."

(b) Subsection (viii) of Section 2.6(e) of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

"(viii) the Administrative Agent on behalf of the Class A Certificateholders and Class B Certificateholders shall have consented in writing to including as Automatic Additional Accounts any Accounts the receivables of which have been purchased (but the accounts of which have not been originated) by the Originator or any VISA(R) or MasterCard(R) revolving credit card accounts which have not been originated by the Originator in accordance with the Credit and Collection Policy substantially as in effect on the Closing Date (subject to changes therein which would not materially and

adversely affect the interests of the Series 2002-1 Certificateholders) with respect to the retail operating subsidiaries of Federated as at the Closing Date."

(c) Section 2.7(d) shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

"Notwithstanding the foregoing, the Transferor will be permitted to designate Removed Accounts in connection with the sale by Federated or any Affiliate of Federated of all or substantially all of the capital stock or assets of any retail subsidiary of Federated if the conditions in clauses (i), (iii) and (iv) of subsection 2.7(b) have been met and the Transferor shall have delivered to the Trustee and the Administrative Agent an Officer's Certificate confirming the compliance with such conditions."

SECTION 7. ARTICLE IV OF THE AGREEMENT. Sections 4.1, 4.2 and 4.3 of the Agreement shall be read in their entirety as provided in the Agreement. Article IV of the Agreement (except for Sections 4.1, 4.2 and 4.3 thereof) shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

ARTICLE IV

RIGHTS OF CERTIFICATEHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

Section 4.4 RIGHTS OF CERTIFICATEHOLDERS. The Series 2002-1 Certificates shall represent Undivided Interests in the Trust, consisting of the right to receive, to the extent necessary to make the required payments with respect to such Series 2002-1 Certificates at the times and in the amounts specified in this Agreement, (a) the Floating Allocation Percentage and Fixed/Floating Allocation Percentage (as applicable from time to time) of Collections received with respect to the Receivables and (b) funds on deposit in the Collection Account and the Excess Funding Account (for such Series, the "SERIES 2002-1 CERTIFICATEHOLDERS' INTEREST"). The Class B Invested Amount and the Class C Invested Amount shall be subordinate to the Class A Certificates, and the Class C Invested Amount shall be subordinated to the Class B Certificates.

From and after the Amortization Period Commencement Date, the Class B Certificates will not have the right to receive payments of principal until the Class A Invested Amount has been paid in full, and the Class C Certificates will not have the right to receive payments of principal until the Class A Invested Amount and the Class B Invested Amount have been paid in full. The Exchangeable Transferor Certificate shall not represent any interest in the Collection Account or the Excess Funding Account, except as specifically provided in this Article IV.

Section 4.5 COLLECTIONS AND ALLOCATION. The Servicer will apply or will instruct the Trustee to apply all funds on deposit in the Collection Account or the Excess Funding Account that are allocable to the Series 2002-1 Certificates as described in this Article IV. On each Business Day, the Servicer shall determine whether a Pay Out Event is

deemed to have occurred with respect to the Series 2002-1 Certificates, and the Servicer shall allocate Collections in accordance with the Daily Report with respect to such Business Day in accordance with the terms of Section 4.6 of the Agreement.

Section 4.6 APPLICATION OF FUNDS ON DEPOSIT IN THE COLLECTION ACCOUNT FOR THE SERIES 2002-1 CERTIFICATES. (a) On each Business Day with respect to the Revolving Period, the Servicer shall instruct the Trustee in writing to withdraw and the Trustee, acting in accordance with such instructions, shall withdraw, to the extent of Total Finance Charge Collections, the amounts required to be withdrawn from the Collection Account pursuant to subsections 4.6(a)(i) through 4.6(a)(xvi) of the Agreement.

(i) CLASS A INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day, an amount equal to sum of the Class A Interest and the Class A Program Fees accrued since the preceding Business Day PLUS any Class A Interest or Class A Program Fees due with respect to any prior Business Day but not previously paid to the Class A Certificateholders.

(ii) CLASS B INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(a)(i) of the Agreement), an amount equal to the sum of the Class B Interest and the Class B Program Fees accrued since the preceding Business Day PLUS any Class B Interest or Class B Program Fees due with respect to any prior Business Day but not previously paid to the Class B Certificateholders.

(iii) INVESTOR SERVICING FEE PAYABLE FROM INTERCHANGE. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of the lesser of (A) Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(a)(i) and (ii) of the Agreement) and (B) Interchange Collections for such Business Day, the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer.

(iv) INVESTOR SERVICING FEE. On each Business Day, if FDSB or any Affiliate of FDSB is not the Servicer, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(a)(i) through (iii) of the Agreement), the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer, to the extent not withdrawn on such Business Day pursuant to subsection 4.6(a)(iii) of the Agreement.

(v) INVESTOR DEFAULT AMOUNT AND UNCOVERED DILUTION AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (iv) of the Agreement), an amount equal to the sum of (A) the aggregate Investor Default Amount for such Business Day, PLUS (B) the unpaid Investor Default Amount for any previous Business Day, PLUS (C) the Investor Uncovered Dilution Amount for such Business Day, PLUS (D) the unpaid Investor Uncovered Dilution Amount for any previous Business Day, such amount to be treated as VFC Principal Collections during the Revolving Period.

(vi) REIMBURSEMENT OF CLASS A INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer,

shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (v) of the Agreement), an amount equal to the unreimbursed Class A Investor Charge-Offs, such amount to be treated as VFC Principal Collections during the Revolving Period.

(vii) REIMBURSEMENT OF CLASS B INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (vi) of the Agreement), an amount equal to the unreimbursed Class B Investor Charge-Offs, such amount to be treated as VFC Principal Collections during the Revolving Period.

(viii) CLASS A ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class A Certificateholders, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(a)(i) through (vii) of the Agreement), the portion of the Class A Additional Payments accrued since the preceding Business Day PLUS any Class A Additional Payments due with respect to any prior Business Day but not distributed to the Class A Certificateholders, with interest thereon as provided in the Class A Certificate Purchase Agreement.

(ix) CLASS B ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class B Certificateholders, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(a)(i) through (viii) of the Agreement), the portion of the Class B Additional Payments accrued since the preceding Business Day PLUS any Class B Additional Payments with respect to any prior Business Day but not distributed to the Class B Certificateholders, with interest thereon as provided in the Class B Certificate Purchase Agreement.

(x) REIMBURSEMENT OF CLASS C INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer,

shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (ix) of the Agreement), an amount equal to the unreimbursed Class C Investor Charge-Offs, such amount to be treated as VFC Principal Collections during the Revolving Period.

(xi) CLASS C INTEREST. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class C Certificateholders to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (x) of the Agreement), an amount equal to (x) the amount of interest which has accrued with respect to the outstanding aggregate principal amount of the Class C Certificates at the Class C Certificate Rate but which has not been paid to the Class C Certificateholders PLUS (y) additional interest at the Class C Certificate Rate for interest that has accrued on interest that was due pursuant to this subsection but was not previously paid to the Class C Certificateholders.

(xii) REQUIRED RESERVE AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Reserve Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (xi) of the Agreement), an amount equal to the excess, if any, of the Required Reserve Amount (determined after all deposits, withdrawals, reductions, payments and adjustments to be made with respect to such date) over the Available Reserve Amount (without giving effect to any deposit made on such Business Day under Section 4.6).

(xiii) CLASS A SUPPLEMENTAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class A Agent, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (xii) of the Agreement), an amount equal to the sum of all unpaid Class A Supplemental

Payments.

(xiv) CLASS B SUPPLEMENTAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class B Agent, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (xiii) of the Agreement), an amount equal to the sum of all unpaid Class B Supplemental Payments.

(xv) FDSB SERVICING FEE. On each Business Day, if FDSB or any Affiliate of FDSB is the Servicer, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (xiv) of the Agreement) the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer, to the extent not withdrawn on such Business Day pursuant to subsection 4.6(a)(iii) of the Agreement.

(xvi) EXCESS FINANCE CHARGE COLLECTIONS. Any amounts remaining in the Collection Account to the extent of the Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(a)(i) through (xv) of the Agreement) shall be treated as Excess Finance Charge Collections allocable to other Series in Group I, and the Servicer shall direct the Trustee in writing on each Business Day to withdraw and the Trustee, acting in accordance with such instructions, shall withdraw such amounts from the Collection Account and first make such amounts available as Excess Finance Charge Collections to pay to Certificateholders of other Series in Group I to the extent of shortfalls, if any, in amounts payable to such certificateholders from Finance Charge Collections allocated to such other Series, then pay any unpaid commercially reasonable costs and expenses of a Successor Servicer, if any, and then pay any remaining Excess Finance Charge Collections to the Transferor.

(b) On each Business Day prior to the last Business Day of any monthly Period with respect to the Amortization Period, the Servicer shall instruct the Trustee in writing to withdraw and the Trustee, acting in accordance with such instructions, shall withdraw, to the extent of Total Finance Charge Collections, the amounts required to be withdrawn from the Collection Account pursuant to subsections 4.6(b)(i) through 4.6(b)(xii) of the Agreement.

(i) CLASS A INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day, an amount equal to the sum of the Class A Interest and the Class A Program Fees accrued since the preceding Business Day PLUS any Class A Interest or Class A Program Fees due with respect to any prior Business Day but not previously paid to the Class A Certificateholders.

(ii) CLASS B INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(b)(i) of the Agreement), an amount equal to the sum of the Class B Interest and the Class B Program Fees accrued since the preceding Business Day PLUS any Class B Interest or Class B Program Fees due with respect to any prior Business Day but not previously paid to the Class B Certificateholders.

(iii) INVESTOR SERVICING FEE PAYABLE FROM INTERCHANGE. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of the lesser of (A) Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(b)(i) and (ii) of the Agreement) and (B) Interchange Collections for such Business Day, the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer.

(iv) INVESTOR SERVICING FEE. On each Business Day, if FDSB or any Affiliate of FDSB is not the Servicer, the Trustee, acting in accordance with instructions

from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(b)(i) through (iii) of the Agreement), the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer, to the extent not withdrawn on such Business Day pursuant to subsection 4.6(a)(iii) of the Agreement.

(v) INVESTOR DEFAULT AMOUNT AND UNCOVERED DILUTION AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (iv) of the Agreement), an amount equal to the sum of (A) the aggregate Investor Default Amount for such Business Day, PLUS (B) the unpaid Investor Default Amount for any previous Business Day, PLUS (C) the Investor Uncovered Dilution Amount for such Business Day, PLUS (D) the unpaid Investor Uncovered Dilution Amount for any previous Business Day, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(vi) REIMBURSEMENT OF CLASS A INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (v) of the Agreement), an amount equal to the unreimbursed Class A Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(vii) REIMBURSEMENT OF CLASS B INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (vi) of the Agreement), an amount equal to the unreimbursed Class B Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(viii) CLASS A ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class A Certificateholders, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(b)(i) through (vii) of the Agreement), the portion of the Class A Additional Payments accrued since the preceding Business Day PLUS any Class A Additional Payments due with respect to any prior Business Day but not distributed to the Class A Certificateholders, with interest thereon as provided in the Class A Certificate Purchase Agreement.

(ix) CLASS B ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class B Certificateholders, to the extent of Total Finance

Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(b)(i) through (viii) of the Agreement), the portion of the Class B Additional Payments accrued since the preceding Business Day PLUS any Class B Additional Payments due with respect to any prior Business Day but not distributed to the Class B Certificateholders, with interest thereon as provided in the Class B Certificate Purchase Agreement.

(x) REIMBURSEMENT OF CLASS C INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (ix) of the Agreement), an amount

equal to the unreimbursed Class C Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(xi) REQUIRED RESERVE AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Reserve Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (x) of the Agreement), an amount equal to the excess, if any, of the Required Reserve Amount (determined after all deposits, withdrawals, reductions, payments and adjustments to be made with respect to such date) over the Available Reserve Amount (without giving effect to any deposit made on such Business Day under Section 4.6).

(xii) EXCESS FINANCE CHARGE COLLECTIONS. Any amounts remaining in the Collection Account to the extent of the Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(b)(i) through (xi) of the Agreement), shall be treated as Excess Finance Charge Collections, and the Trustee shall deposit any such remaining Total Finance Charge Collections into the Collection Account and shall add such funds to the Total Finance Charge Collections on each subsequent Business Day in such Monthly Period until the last Business Day of the related Monthly Period.

(c) On the last Business Day of each Monthly Period with respect to the Amortization Period, the Servicer shall instruct the Trustee in writing to withdraw and the Trustee, acting in accordance with such instructions, shall withdraw, to the extent of Total Finance Charge Collections, the amounts required to be withdrawn from the Collection Account pursuant to subsections 4.6(c)(i) through 4.6(c)(xvi) of the Agreement.

(i) CLASS A INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day, an amount equal to the sum of the Class A Interest and Class A Program Fees accrued since the preceding Business Day PLUS any Class A Interest or Class A Program Fees due with respect to any prior Business Day but not previously paid to the Class A Certificateholders.

(ii) CLASS B INTEREST AND PROGRAM FEES. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall

withdraw from the Collection Account and deposit into the Interest Funding Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(c)(i) of the Agreement), an amount equal to the sum of the Class B Interest and the Class B Program Fees accrued since the preceding Business Day PLUS any Class B Interest or the Class B Program Fees due with respect to any prior Business Day but not previously paid to the Class B Certificateholders.

(iii) INVESTOR SERVICING FEE PAYABLE FROM INTERCHANGE. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of the lesser of (A) Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(c)(i) and (ii) of the Agreement) and (B) Interchange Collections for such Business Day, the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer.

(iv) INVESTOR SERVICING FEE. On each Business Day, if FDSB or any Affiliate of FDSB is not the Servicer, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(c)(i) through (iii) of the Agreement), the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer, to the extent not withdrawn on such Business Day pursuant to subsection 4.6(c)(iii) of the Agreement.

(v) INVESTOR DEFAULT AMOUNT AND UNCOVERED DILUTION AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (iv) of the Agreement), an amount equal to the sum of (A) the aggregate Investor Default Amount for such Business Day, PLUS (B) the unpaid Investor Default Amount for any previous Business Day, PLUS (C) the Investor Uncovered Dilution Amount for such Business Day, PLUS (D) the unpaid Investor Uncovered Dilution Amount for any previous Business Day, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(vi) REIMBURSEMENT OF CLASS A INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (v) of the Agreement), an amount equal to the unreimbursed Class A Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(vii) REIMBURSEMENT OF CLASS B INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer,

shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (vi) of the Agreement), an amount equal to the unreimbursed Class B Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(viii) CLASS A ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class A Certificateholders, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(c)(i) through (vii) of the Agreement), the portion of the Class A Additional Payments accrued since the preceding Business Day PLUS any Class A Additional Payments due with respect to any prior Business Day but not distributed to the Class A Certificateholders, with interest thereon as provided in the Class A Certificate Purchase Agreement.

(ix) CLASS B ADDITIONAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class B Certificateholders, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsection 4.6(c)(i) through (viii) of the Agreement), the portion of the Class B Additional Payments accrued since the preceding Business Day PLUS any Class B Additional Payments due with respect to any prior Business Day but not distributed to the Class B Certificateholders, with interest thereon as provided in the Class B Certificate Purchase Agreement.

(x) REIMBURSEMENT OF CLASS C INVESTOR CHARGE-OFFS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account, to the extent of Total Finance Charge Collections for such Business Day after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (ix) of the Agreement), an amount equal to the unreimbursed Class C Investor Charge-Offs, such amount to be deposited into the Principal Account or paid pursuant to subsection 4.6(e) to the applicable Class or Classes of Certificateholders on such Business Day.

(xi) CLASS C INTEREST. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class C Certificateholders to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (x) of the Agreement), an amount equal to (x) the amount of interest which has accrued with respect to the outstanding aggregate principal amount of the Class C Certificates at the Class C Certificate Rate but which has not been paid to the Class C Certificateholders PLUS (y) additional interest at the Class C Certificate Rate for interest that has accrued on interest that was due pursuant to this subsection but was not previously paid to the Class C Certificateholders.

(xii) REQUIRED RESERVE AMOUNT. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and deposit into the Reserve Account, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (xi) of the Agreement), an amount equal to excess, if any, of the

Required Reserve Amount (determined after all deposits, withdrawals, reductions, payments and adjustments to be made with respect to such date) over the Available Reserve Amount (without giving effect to any deposit made on such Business Day under Section 4.6).

(xiii) CLASS A SUPPLEMENTAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class A Agent, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (xii) of the Agreement), an amount equal to the sum of all unpaid Class A Supplemental Payments.

(xiv) CLASS B SUPPLEMENTAL PAYMENTS. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and pay to the Class B Agent, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (xiii) of the Agreement), an amount equal to the sum of all unpaid Class B Supplemental Payments.

(xv) FDSB SERVICING FEE. On each Business Day, if FDSB or any Affiliate of FDSB is the Servicer, the Trustee, acting in accordance with instructions from the Servicer, shall withdraw from the Collection Account and distribute to the Servicer, to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (xiv) of the Agreement) the Investor Servicing Fee accrued since the preceding Business Day PLUS any Investor Servicing Fee due with respect to any prior Business Day but not distributed to the Servicer, to the extent not withdrawn on such Business Day pursuant to subsection 4.6(c)(iii) of the Agreement.

(xvi) EXCESS FINANCE CHARGE COLLECTIONS. Any amounts remaining in the Collection Account to the extent of Total Finance Charge Collections for such Business Day (after giving effect to the withdrawals pursuant to subsections 4.6(c)(i) through (xv) of the Agreement), shall be treated as Excess Finance Charge Collections allocable to other Series in Group I, and the Servicer shall direct the Trustee on such Business Day to withdraw such amounts from the Collection Account and to first make such amounts available as Excess Finance Charge Collections to pay to Certificateholders of other Series in Group I to the extent of shortfalls, if any, in amounts payable to such certificateholders from Finance Charge Collections allocated to such other Series, then to pay any unpaid commercially reasonable costs and expenses of a Successor Servicer, if any, and then pay any remaining Excess Finance Charge Collections to the Transferor.

(d) For each Business Day (i) the funds on deposit in the Collection Account in an amount not to exceed, during the Revolving Period, the Class C Floating Allocation Percentage or, during the Amortization Period, the Class C Fixed/Floating Allocation Percentage of Net Principal Collections with respect to such Business Day shall be applied by the Servicer or by the Trustee acting in accordance with the instructions of the Servicer as Reallocated Class C Principal Collections to the extent necessary to pay first the Class A Required Amount and then the Class B Required Amount on such Business Day as described in subsection 4.7(c) of the Agreement, (ii) if any Class A Required Amount remains after giving effect to such

application, the funds on deposit in the Collection Account in an amount not to exceed, during the Revolving Period, the Class B Floating Allocation Percentage or, during the Amortization Period, the Class B Fixed/Floating Allocation Percentage of Net Principal Collections with respect to such Business Day shall be applied by the Servicer or by the Trustee acting in accordance with the

instructions of the Servicer as Reallocated Class B Principal Collections to the extent necessary to pay the remaining Class A Required Amount on such Business Day as described in subsection 4.7(d) of the Agreement, and (iii) the remainder of the Net Principal Collections shall be treated as VFC Principal Collections and applied as provided in subsection 4.6(f) of the Agreement.

(e) For each Business Day on and after the Amortization Period Commencement Date, the funds on deposit in the Collection Account will be distributed by the Trustee acting in accordance with the instructions of the Servicer in the following priority:

(i) an amount equal to the sum of (A) Net Principal Collections for such Business Day (MINUS the amount of Reallocated Class B Principal Collections and Reallocated Class C Principal Collections with respect to such Business Day which is required to fund a deficiency pursuant to subsection 4.7(c) or 4.7(d) of the Agreement for such Business Day, if any), (B) any amount on deposit in the Excess Funding Account allocated to the Investor Certificates on such Business Day, and (C) the aggregate amounts, if any, allocated on such Business Day pursuant to subsections 4.6(b)(v), (vi), (vii) or (x) or 4.6(c)(v), (vi), (vii) or (x) (such sum, the "CLASS A DAILY PRINCIPAL AMOUNT"), plus the amount of Shared Principal Collections allocated to the Series 2002-1 Certificates in accordance with Sections 4.3(e) and 4.6(f) of the Agreement, will be deposited into the Principal Account until the amount on deposit therein equals the Class A Invested Amount;

(ii) on and after the Class B Principal Payment Commencement Date, an amount equal to the sum of (A) Net Principal Collections for such Business Day (MINUS the amount of Reallocated Class C Principal Collections with respect to such Business Day which is required to fund a deficiency with respect to the Class B Certificates pursuant to subsection 4.7(c) of the Agreement for such Business Day), (B) any amount on deposit in the Excess Funding Account allocated to the Investor Certificates on such Business Day, and (C) the amount, if any, allocated to pursuant to subsections 4.6(b)(v), (vii) or (x) or 4.6(c)(v), (vii) or (x) of the Agreement with respect to such Business Day, MINUS, in the case of each of clauses (A), (B) and (C) above, the amount thereof paid to the Class A Certificateholders pursuant to subsection 4.6(e)(i) of the Agreement (such sum, after such reduction, the "CLASS B DAILY PRINCIPAL Amount"), will be deposited into the Principal Account until the amount on deposit therein equals the Class B Invested Amount;

(iii) on and after the Class C Principal Payment Commencement Date, an amount equal to (A) Net Principal Collections for such Business Day, (B) any amount on deposit in the Excess Funding Account allocated to the Class C Certificates on such Business Day, and (C) the amount, if any, allocated to pursuant to subsections 4.6(b)(v) or (x) or 4.6(c)(v) or (x) of the Agreement with respect to such Business Day, MINUS, in the case of each of clauses (A), (B) and (C) above, the amount thereof paid to the Class A

Certificateholders pursuant to subsection 4.6(e)(i) of the Agreement or to the Class B Certificateholders pursuant to subsection 4.6(e)(ii) of the Agreement (such sum, after such reduction, the "CLASS C DAILY PRINCIPAL AMOUNT") will be paid to the Holders of the Class C Certificates; and

(iv) an amount equal to the balance of any such remaining funds on deposit in the Collection Account on such Business Day allocated to the Series 2002-1 Certificates shall be treated as Shared Principal Collections and applied as provided in subsection 4.3(e) of the Agreement.

(f) VFC Principal Collections shall be applied by the Servicer or by the Trustee acting in accordance with the instructions of the Servicer on each Business Day with respect to the Revolving Period first, at the option of the Transferor and in an amount to be determined by the Transferor, to make payments of principal to (i) the Class A Certificateholders, (ii) if after giving effect to such payment, both (A) no Series 2002-1 Pay Out Event shall have occurred and

be continuing and (B) the Class B Invested Amount shall not be less than the Required Class B Invested Amount, to the Class A Certificateholders and the Class B Certificateholders pro rata based on the Invested Amount of each such Class on such Business Day, or (iii) if after giving effect to such payment, both (A) no Series 2002-1 Pay Out Event shall have occurred and be continuing, (B) the Class B Invested Amount shall not be less than the Required Class B Invested Amount, and (C) the Class C Invested Amount shall not be less than the Required Class C Invested Amount, to the Class A Certificateholders, the Class B Certificateholders and the Class C Certificateholders pro rata based on the Invested Amount of each such Class on such Business Day and, then the remaining VFC Principal Collections shall be treated as Shared Principal Collections available to make payments with respect to other Series pursuant to subsection 4.3(e) of the Agreement. On any Business Day Shared Principal Collections allocated to the Series 2002-1 Certificates for such Business Day may be applied by the Servicer or by the Trustee acting in accordance with the instructions of the Servicer, at the option of the Transferor and in an amount (such amount to be deemed the "PRINCIPAL SHORTFALL" with respect to the Series 2002-1 Certificates) to be determined by the Transferor, to make payments of principal to (i) the Class A Certificateholders, (ii) if after giving effect to such payment, both (A) no Series 2002-1 Pay Out Event shall have occurred and be continuing and (B) the Class B Invested Amount shall not be less than the Required Class B Invested Amount, to the Class A Certificateholders and the Class B Certificateholders pro rata based on the Invested Amount of each such Class on such Business Day, or (iii) if after giving effect to such payment, both (A) no Series 2002-1 Pay Out Event shall have occurred and be continuing, (B) the Class B Invested Amount shall not be less than the Required Class B Invested Amount, and (C) the Class C Invested Amount shall not be less than the Required Class C Invested Amount, to the Class A Certificateholders, the Class B Certificateholders and the Class C Certificateholders pro rata based on the Invested Amount of each such Class on such Business Day. Amounts of principal to be paid to the Class A Certificateholders or the Class B Certificateholders pursuant to this subsection 4.6(f) shall be deposited into the Principal Account.

(g) At the option of the Transferor on any Business Day, all or any portion of Principal Collections otherwise to be paid to the Transferor as Holder of the Exchangeable Transferor Certificate pursuant to subsection 4.3(b) of the Agreement on such Business Day or of Shared Principal Collections otherwise to be paid to the Transferor pursuant to

subsection 4.3(e) of the Agreement on such Business Day may be deposited into the Reserve Account.

Section 4.7 COVERAGE OF REQUIRED AMOUNTS FOR THE SERIES 2002-1 CERTIFICATES. (a) To the extent that any amounts are on deposit in the Excess Funding Account on any Business Day, the Servicer shall apply Transferor Finance Charge Collections in an amount equal to the excess of (x) the product of (a) the Base Rate and (b) the product of (i) the amount on deposit in the Excess Funding Account and (ii) the number of days elapsed since the previous Business Day divided by the actual number of days in such year OVER (y) the aggregate amount of all earnings since the previous Business Day available from the Cash Equivalents in which funds on deposit in the Excess Funding Account are invested, such amount to be applied during the Revolving Period in the manner specified in subsections 4.6(a)(i) through (ix) and (xii) through (xv) of the Agreement or during the Amortization Period in the manner specified in subsections 4.6(b)(i) through (ix) and (xi) of the Agreement or subsections 4.6(c)(i) through (ix) and (vii) through (xv), as applicable, of the Agreement. After giving effect to such application, on each Business Day, the Servicer shall determine the Class A Required Amount, the Class B Required Amount and the Series 2002-1 Shortfall, if any. In the event that the Class A Required Amount, the Class B Required Amount or the Series 2002-1 Shortfall for a Business Day is greater than zero, the Servicer shall reflect such positive amount on the Daily Report for such Business Day.

(b) To the extent of any Series 2002-1 Shortfall, the Servicer shall apply any Excess Finance Charge Collections allocable to the Series 2002-1 Certificates in an amount equal to such Series 2002-1 Shortfall in the manner specified in subsections 4.6(a)(i) through (xv) of the Agreement during the Revolving Period or in the manner specified in subsections 4.6(b)(i) through (xi) or 4.6(c)(i) through (xv) of the Agreement, as applicable, during the Amortization Period. Excess Finance Charge Collections allocated to the Series

2002-1 Certificates for any Business Day shall mean an amount equal to the product of (x) Excess Finance Charge Collections available from all other Series in Group I for such Business Day and (y) a fraction, the numerator of which is the Series 2002-1 Shortfall for such Business Day and the denominator of which is the aggregate amount of shortfalls in required amounts or other amounts to be paid from Finance Charge Collections for all Series in Group I for such Business Day. If there is any Class A Required Amount for a Business Day after such application of Excess Finance Charge Collections, the amount thereof, up to the Available Reserve Amount, shall be withdrawn by the Trustee acting in accordance with the instructions of the Servicer on such Business Day from the Reserve Account and shall be applied during the Revolving Period in the manner specified in subsections 4.6(a)(i), (v), (vi) or (viii) of the Agreement, or during the Amortization Period in the manner described in subsections 4.6(b)(i), (v), (vi) or (viii) of the Agreement or subsections 4.6(c)(i), (v), (vi) or (viii) of the Agreement, as applicable. If there is any Class B Required Amount for a Business Day after such application of Excess Finance Charge Collections, the amount thereof, up to the Available Reserve Amount (after giving effect to any withdrawals in respect of the Class A Required Amount), shall be withdrawn by the Trustee acting in accordance with the instructions of the Servicer on such Business Day from the Reserve Account and shall be applied during the Revolving Period in the manner specified in subsections 4.6(a)(ii), (v), (vii) or (ix) of the Agreement, or during the Amortization Period in the manner described in subsections 4.6(b)(ii), (v), (vi) or (ix) or 4.6(c)(ii), (v), (vii) or (ix) of the Agreement, as applicable.

(c) In the event that the sum of the Class A Required Amount and the Class B Required Amount for a Business Day exceeds the sum of the Available Reserve Amount and the amount of the Excess Finance Charge Collections allocated thereto on such Business Day, a portion of the Net Principal Collections allocable to the Class C Certificates in an amount equal to the lesser of such excess and product of (i) (x) during the Revolving Period, the Class C Floating Allocation Percentage or (y) during the Amortization Period, the Class C Fixed/Floating Allocation Percentage and (ii) the amount of Net Principal Collections in the Collection Account with respect to such Business Day shall be allocated by the Servicer first to the Class A Certificates and then to the Class B Certificates and applied on such Business Day in accordance with the provisions during the Revolving Period of subsections 4.6(a)(i), (ii) or (iv) through (ix) of the Agreement and during the Amortization Period, in accordance with the provisions of subsections 4.6(b)(i), (ii) or (iv) through (ix) of the Agreement or 4.6(c)(i), (ii) or (iv) through (ix) of the Agreement, as applicable; PROVIDED, HOWEVER, that with respect to amounts applied pursuant to subsections 4.6(a)(iv), (b)(iv) and (c)(iv), such amounts shall be applied only to the extent of the sum of the Class A Floating Allocation Percentage and the Class B Floating Allocation Percentage of the shortfall arising pursuant to such subsections (any such amount so applied, "REALLOCATED CLASS C PRINCIPAL COLLECTIONS"). In the event that the sum of the Class A Required Amount and the Class B Required Amount (determined in accordance with the first sentence of this subsection (c)) exceeds such Available Reserve Amount and the amount of such Excess Finance Charge Collections and of the Reallocated Class C Principal Collections applied pursuant to the preceding sentence, the Class C Invested Amount shall be reduced to the extent of any remaining Investor Default Amount and Investor Uncovered Dilution Amount but not to an amount less than zero.

(d) In the event that the Class A Required Amount for a Business Day exceeds the sum of the Available Reserve Amount, the amount of the Excess Finance Charge Collections and the amount of Reallocated Class C Principal Collections allocated thereto on such Business Day, a portion of the Net Principal Collections allocable to the Class B Certificates in an amount equal to the lesser of such excess and the product of (i) (x) during the Revolving Period, the Class B Floating Allocation Percentage or (y) during the Amortization Period, the Class B Fixed/Floating Allocation Percentage and (ii) the amount of Net Principal Collections in the Collection Account with respect to such Business Day, shall be allocated by the Servicer first to the Class A Certificates and applied on such Business Day in accordance with the provisions during the Revolving Period of subsections 4.6(a)(i), (iv), (v), (vi) and (viii) of the Agreement and during the Amortization Period, in accordance with the provisions of subsection 4.6(b)(i), (iv), (v), (vi) and (viii) of the Agreement or subsection 4.6(c)(i), (iv), (v), (vi) and (viii) of the Agreement, as applicable; PROVIDED, HOWEVER, that with respect to amounts applied pursuant to subsections 4.6(a)(iv), (b) (iv) and (c) (iv), such amounts shall be applied only to the extent of the Class A Floating Allocation Percentage of the shortfall arising pursuant to such subsections (any such amount so applied,

"REALLOCATED CLASS B PRINCIPAL COLLECTIONS"). In the event that the Class A Required Amount (determined in accordance with the first sentence of this subsection (d)) exceeds such Available Reserve Amount and the amount of such Excess Finance Charge Collections and of the Reallocated Class B Principal Collections applied pursuant to the preceding sentence, the Class B Invested Amount shall be reduced to the extent of any remaining Investor Default Amount and Investor Uncovered Dilution Amount but not to an amount less than zero.

Section 4.8 INVESTOR CHARGE-OFFS. (a) If, on any Determination Date with respect to a Distribution Date on or prior to the Class C Principal Payment Commencement Date, the sum of (i) aggregate Investor Default Amount, if any, for each Business Day in the preceding Monthly Period plus (ii) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period exceeded the aggregate amount of Finance Charge Collections applied to the payment thereof pursuant to subsection 4.6(a)(v) of the Agreement during the Revolving Period or subsection 4.6(b)(v) or 4.6(c)(v) of the Agreement, as applicable, during the Amortization Period and the Available Reserve Amount and the amount of Excess Finance Charge Collections and Reallocated Class C Principal Collections allocated thereto pursuant to subsections 4.7(b) and (c) of the Agreement, the Class C Invested Amount will be reduced (without duplication of any reduction pursuant to the last sentence of subsection 4.7(c)) by the amount by which such aggregate Investor Default Amount and Investor Uncovered Dilution Amount exceeds the amount applied with respect thereto during such preceding Monthly Period (a "CLASS C INVESTOR CHARGE-OFF"). To the extent that on any subsequent Business Day VFC Additional Amounts are purchased pursuant to Section 6.15, the Holder of the Class C Certificates shall first deposit into the Excess Funding Account an amount equal to any Class C Investor Charge-Offs on such Business Day and then shall purchase any other Class C Invested Amount pursuant to Section 6.15. To the extent that on any subsequent Business Day there is a remaining positive balance of Total Finance Charge Collections on deposit in the Collection Account after giving effect during the Revolving Period to subsections 4.6(a)(i) through (ix) of the Agreement or during the Amortization Period to subsections 4.6(b)(i) through (ix) or subsections 4.6(c)(i) through (ix) of the Agreement, as applicable, the Servicer will apply such excess Finance Charge Collections as provided in subsection 4.6(a)(x) of the Agreement during the Revolving Period or subsection 4.6(b)(x) or 4.6(c)(x) of the Agreement, as applicable, during the Amortization Period to reimburse the aggregate amount of Class C Investor Charge-Offs not previously reimbursed, up to the amount so available.

(b) In the event that any reduction of the Class C Invested Amount pursuant to subsection 4.8(a) of the Agreement would cause the Class C Invested Amount to be a negative number, the Class C Invested Amount will be reduced to zero, and the Class B Invested Amount will be reduced by the lesser of (i) the amount by which the Class C Invested Amount would have been reduced below zero and (ii) the sum of (A) aggregate Investor Default Amount, if any, for each Business Day in the preceding Monthly Period plus (B) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period (a "CLASS B INVESTOR CHARGE-OFF"). To the extent that on any subsequent Business Day there is a positive balance of Total Finance Charge Collections on deposit in the Collection Account after giving effect to subsections 4.6(a)(i) through (vi) of the Agreement during the Revolving Period or subsections 4.6(b)(i) through (vi) or 4.6(c)(i) through (vi) of the Agreement, as applicable, during the Amortization Period, the Servicer will apply such excess Finance Charge Collections as provided in subsection 4.6(a)(vii) of the Agreement during the Revolving Period or subsection 4.6(b)(vii) or 4.6(c)(vii) of the Agreement, as applicable, during the Amortization Period to reimburse the aggregate amount of Class B Investor Charge-Offs not previously reimbursed, up to the amount so available.

(c) In the event that any such reduction of the Class B Invested Amount pursuant to subsection 4.8(b) of the Agreement would cause the Class B Invested Amount to be a

negative number, the Class B Invested Amount will be reduced to zero, and the Class A Invested Amount will be reduced by the lesser of (i) the amount by which the Class B Invested Amount would have been reduced below zero and (ii) the sum of (A) aggregate Investor Default Amount, if any, for each Business Day in the preceding Monthly Period plus (B) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period (a "CLASS A INVESTOR CHARGE-OFF"). To the extent that on any subsequent Business Day there

is a positive balance of Total Finance Charge Collections on deposit in the Collection Account after giving effect to subsections 4.6(a)(i) through (v) of the Agreement during the Revolving Period or subsections 4.6(b)(i) through (v) or 4.6(c)(i) through (v) of the Agreement, as applicable, during the Amortization Period, the Servicer will apply such excess Finance Charge Collections as provided in subsection 4.6(a)(vi) of the Agreement during the Revolving Period or subsection 4.6(b)(vi) or 4.6(c)(vi) of the Agreement, as applicable, during the Amortization Period to reimburse the aggregate amount of Class A Investor Charge-Offs not previously reimbursed, up to the amount so available.

Section 4.9 RESERVE ACCOUNT. (a) The Servicer shall establish and maintain with an Eligible Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Trust, a segregated trust account (the "RESERVE ACCOUNT") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Reserve Account and in all proceeds thereof. Except as provided in Section 4.9(b), the Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. If at any time an Eligible Institution holding the Reserve Account ceases to be an Eligible Institution, the Transferor shall notify the Trustee in writing, and the Trustee upon being notified (or the Servicer on its behalf) shall within 10 Business Days establish a new Reserve Account meeting the conditions specified above, and shall transfer any cash or any investments to such new Reserve Account. The Trustee, at the direction of the Servicer, shall make deposits to and withdrawals from the Reserve Account in the amounts and at the times set forth in Sections 4.6, 4.7 and 4.9 of the Agreement. All withdrawals from the Reserve Account shall be made in the priority set forth below. Notwithstanding any other provision of this Agreement, the Transferor may at any time and from time to time in the Transferor's discretion deposit funds directly into the Reserve Account.

(b) No deposit into the Reserve Account shall be required on the Closing Date. Funds on deposit in the Reserve Account from time to time shall be invested and/or reinvested at the direction of the Servicer by the Trustee in Cash Equivalents that will mature so that such funds will be available for withdrawal on the following Transfer Date. No Cash Equivalent shall be disposed of prior to its maturity unless the Servicer so directs and prior to the maturity of such Cash Equivalent, a default occurs in the payment of principal, interest or any other amount with respect to such Cash Equivalent. The Trustee shall maintain for the benefit of the Holders of Series 2002-1 Variable Funding Certificates possession of the negotiable instruments or securities, if any, evidencing such Cash Equivalents. All cash interest and earnings (net of losses and investment expenses) received on each Business Day on funds on deposit in the Reserve Account shall be retained therein to the extent that the Available Reserve Amount is less than the Required Reserve Amount on such Business Day, and such retained amounts shall be considered to be available and on deposit in the Reserve Account until

withdrawn therefrom. All cash interest and earnings (net of losses and investment expenses) received on each Business Day on funds on deposit in the Reserve Account in excess of the amount, if any, required to be retained in the Reserve Account on such Business Day shall be treated as a component of Total Finance Charge Collections and, for purposes of determining the availability of funds or the balances in the Reserve Account for any other reason under this Variable Funding Supplement, all such investment earnings on such funds shall be deemed not to be available or on deposit in the Reserve Account. If on any Business Day the amount on deposit in the Reserve Account exceeds the Required Reserve Amount, the amount of such excess shall be treated as a component of Total Finance Charge Collections.

Section 4.10 EXCESS PURCHASE ACCOUNT. (a) The Servicer shall establish and maintain with an Eligible Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Trust, a segregated trust account (the "EXCESS PURCHASE ACCOUNT") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Excess Purchase Account and in all proceeds thereof. Except as provided in Section 4.10(b), the Excess Purchase Account shall be under the sole dominion and control of the

Trustee for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. If at any time an Eligible Institution holding the Excess Purchase Account ceases to be an Eligible Institution, the Transferor shall notify the Trustee in writing, and the Trustee upon being notified (or the Servicer on its behalf) shall within 10 Business Days establish a new Excess Purchase Account meeting the conditions specified above, and shall transfer any cash or any investments to such new Excess Purchase Account. The Trustee, at the direction of the Servicer, shall make deposits to the Excess Purchase Account in the amounts and at the times set forth in Section 6.15 of the Agreement.

(b) Funds on deposit in the Excess Purchase Account from time to time shall be invested and/or reinvested at the direction of the Servicer by the Trustee in Cash Equivalents that will mature so that such funds will be available for withdrawal not later than the following Transfer Date. No Cash Equivalent shall be disposed of prior to its maturity unless the Servicer so directs and prior to the maturity of such Cash Equivalent, a default occurs in the payment of principal, interest or any other amount with respect to such Cash Equivalent. The Trustee shall maintain for the benefit of the Holders of Series 2002-1 Variable Funding Certificates possession of the negotiable instruments or securities, if any, evidencing such Cash Equivalents. All cash interest and earnings (net of losses and investment expenses) received on each Business Day on funds on deposit in the Excess Purchase Account shall be treated as a component of Total Finance Charge Collections. For purposes of determining the availability of funds or the balances in the Excess Purchase Account for any other reason under this Variable Funding Supplement, all investment earnings on such funds shall be deemed not to be available or on deposit.

(c) If on any Business Day prior to the Amortization Period Commencement Date the greater of (i) the sum of (A) the aggregate Invested Amount of each Series then outstanding as of such day including the Series 2002-1 Variable Funding Certificates minus amounts on deposit in the principal funding account for any Series and (B) the Minimum Transferor Amount as of such day or (ii) the Minimum Aggregate Principal Receivables exceeds an amount equal to (a) the aggregate amount of Principal Receivables and amounts on deposit in

the Excess Funding Account (other than investment earnings thereon), PLUS (b) the amount on deposit in the Excess Purchase Account, the amount of such excess shall be withdrawn by the Trustee in accordance with the instructions of the Servicer from the Excess Purchase Account and paid to the Transferor in respect of VFC Additional Invested Amounts theretofore purchased hereunder. On the Amortization Period Commencement Date, the amount on deposit in the Excess Purchase Account or, if less, the sum of the Class A Invested Amount and the Class B Invested Amount shall be withdrawn by the Trustee at the direction of the Servicer and deposited into the Principal Account.

Section 4.11 PRINCIPAL AND INTEREST FUNDING ACCOUNTS. (a) The Servicer shall establish and maintain with an Eligible Institution approved by the Class A Agent and the Class B Agent, which may be the Trustee, in the name of the Trustee, on behalf of the Trust, segregated trust accounts (the "PRINCIPAL ACCOUNT" and the "INTEREST FUNDING ACCOUNT", respectively), each bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Principal Account and the Interest Funding Account and in all proceeds thereof. Except as provided in Section 4.11(b), the Principal Account and the Interest Funding Account shall each be under the sole dominion and control of the Trustee for the benefit of the Holders of Series 2002-1 Variable Funding Certificates. If at any time an Eligible Institution holding the Principal Account or the Interest Funding Account ceases to be an Eligible Institution, the Transferor shall notify the Trustee in writing and the Administrative Agent, and the Trustee upon being notified (or the Servicer on its behalf) shall within ten Business Days establish a new Principal Account or Interest Funding Account, as the case may be, meeting the conditions specified above, and shall transfer any cash or any investments to such new Principal Account or Interest Funding Account. The Trustee, at the direction of the Servicer, shall make deposits to the Principal Account in the amounts and at the times set forth in Section 4.6 or 4.10 of the Agreement and shall make deposits to the Interest Funding Account in the amounts and at the times set forth in Section 4.6 of the Agreement. Amounts deposited into the Principal Account or Interest Funding Account shall not reduce the Invested Amount.

(b) Funds on deposit in the Principal Account and the Interest Funding

Account in respect of the Class A Variable Funding Certificates from time to time shall be invested and/or reinvested at the written direction of the Class A Agent by the Trustee in Cash Equivalents that will mature so that such funds will be available for withdrawal on the Business Day preceding the respective dates on which the related payments are required to be made under the Class A Certificate Purchase Agreement. No Cash Equivalent shall be disposed of prior to its maturity unless the Class A Agent so directs and prior to the maturity of such Cash Equivalent, a default occurs in the payment of principal, interest or any other amount with respect to such Cash Equivalent. The Trustee shall maintain for the benefit of the Holders of Class A Certificates possession of the negotiable instruments or securities, if any, evidencing such Cash Equivalents. Funds on deposit in the Principal Account and the Interest Funding Account in respect of the Class B Variable Funding Certificates from time to time shall be invested and/or reinvested at the written direction of the Class B Agent by the Trustee in Cash Equivalents that will mature so that such funds will be available for withdrawal on the Business Day preceding the respective dates on which the related payments are required to be made under the Class B Certificate Purchase Agreement. No Cash Equivalent shall be disposed of prior to its

maturity unless the Class B Agent so directs and prior to the maturity of such Cash Equivalent, a default occurs in the payment of principal, interest or any other amount with respect to such Cash Equivalent. The Trustee shall maintain for the benefit of the Holders of Class B Certificates possession of the negotiable instruments or securities, if any, evidencing such Cash Equivalents.

(c) All cash interest and earnings (net of losses and investment expenses) received on each Business Day on funds on deposit in the Principal Account or the Interest Funding Account shall be treated as a component of Total Finance Charge Collections. For purposes of determining the availability of funds or the balances in the Principal Account or the Interest Funding Account for any other reason under this Variable Funding Supplement, all investment earnings on such funds shall be deemed not to be available or on deposit.

(d) Amounts on deposit in the Principal Account shall be withdrawn by the Trustee acting at the written direction of the Class A Agent at the end of each Fixed Period (as defined in the Class A Certificate Purchase Agreement) for any portion of the Class A Investor Principal Balance (as so defined) or on any other date on which a payment in respect of principal of the Class A Certificates is due as contemplated by the Class A Certificate Purchase Agreement, to pay to Class A Certificateholders such portion of the Class A Investor Principal Balance. Amounts on deposit in the Interest Funding Account shall be withdrawn by the Trustee acting at the written direction of the Class A Agent at the end of each Fixed Period (as defined in the Class A Certificate Purchase Agreement) for any portion of the Class A Investor Principal Balance (as so defined) or on any other date on which a payment in respect of interest on the Class A Certificates is due as contemplated by the Class A Certificate Purchase Agreement, to pay to Class A Certificateholders accrued and unpaid interest on such portion of the Class A Investor Principal Balance and, on each Distribution Date, to pay accrued and unpaid Class A Program Fees. Amounts on deposit in the Principal Account shall be withdrawn by the Trustee acting at the written direction of the Class B Agent at the end of each Fixed Period (as defined in the Class B Certificate Purchase Agreement) for any portion of the Class B Investor Principal Balance (as so defined) or on any other date on which a payment in respect of principal of the Class B Certificates is due as contemplated by the Class B Certificate Purchase Agreement, to pay to Class B Certificateholders such portion of the Class B Investor Principal Balance. Amounts on deposit in the Interest Funding Account shall be withdrawn by the Trustee acting at the written direction of the Class B Agent at the end of each Fixed Period (as defined in the Class B Certificate Purchase Agreement) for any portion of the Class B Investor Principal Balance (as so defined) or on any other date on which a payment in respect of interest on the Class B Certificates is due as contemplated by the Class B Certificate Purchase Agreement, to pay to Class B Certificateholders accrued and unpaid interest on such portion of the Class B Investor Principal Balance and, on each Distribution Date, to pay accrued and unpaid Class B Program Fees.

Section 4.12 PROCEEDS ACCOUNT. The Servicer shall establish and maintain with an Eligible Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Trust, a segregated trust account (the "PROCEEDS ACCOUNT") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Holders of Series 2002-1 Variable

Funding Certificates. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Proceeds Account and in all proceeds thereof. The Proceeds Account shall be under the sole dominion and control of the Trustee for

the benefit of the Holders of Series 2002-1 Variable Funding Certificates. If at any time an Eligible Institution holding the Proceeds Account ceases to be an Eligible Institution, the Transferor shall notify the Trustee in writing, and the Trustee upon being notified (or the Servicer on its behalf) shall within 10 Business Days establish a new Proceeds Account meeting the conditions specified above, and shall transfer any cash or any investments to such new Proceeds Account. The Trustee, at the direction of the Servicer, shall make deposits to and withdrawals from the Proceeds Account in the amounts and at the times set forth in Section 6.15 of the Agreement. Funds on deposit in the Proceeds Account from time to time shall be held uninvested.

SECTION 8. ARTICLE V OF THE AGREEMENT. Article V of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

ARTICLE V

DISTRIBUTIONS AND REPORTS TO INVESTOR CERTIFICATEHOLDERS

Section 5.1 DISTRIBUTIONS. (a) On each Business Day, the Paying Agent shall distribute to the Class A Certificateholders the amount, if any, specified in subsection 4.11(d) of the Agreement to be paid to the Class A Certificateholders on such Business Day; PROVIDED, HOWEVER, that the final payment in retirement of the Class A Certificates will be made only upon presentation and surrender of the Class A Certificates at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3 of the Agreement.

(b) On each Business Day, the Paying Agent shall distribute to the Class B Certificateholders the amount, if any, specified in subsection 4.11(d) of the Agreement to be paid to the Class B Certificateholders on such Business Day; PROVIDED, HOWEVER, that the final payment in retirement of the Class B Certificate will be made only upon presentation and surrender of the Class B Certificates at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3 of the Agreement.

(c) On each Business Day, the Paying Agent shall distribute (in accordance with the Daily Report delivered by the Servicer to the Trustee pursuant to subsection 3.4(b) of the Agreement) to each Class C Certificateholder of record (other than as provided in subsection 2.4(d) or in Section 12.3 of the Agreement respecting a final distribution) such Certificateholder's PRO RATA share (based on the aggregate Undivided Interests represented by Class C Certificates held by such Certificateholder) of such amounts on deposit in the Collection Account as are payable to the Class C Certificateholders pursuant to Section 4.6 of the Agreement; PROVIDED, HOWEVER, that the final payment in retirement of the Class C Certificate will be made only upon presentation and surrender of the Class C Certificates at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3 of the Agreement.

Section 5.2 MONTHLY CERTIFICATEHOLDERS' STATEMENT. As soon as practicable, but no later than each Determination Date following the end of each Monthly

Period with respect to items (i) through (vii) below, and no later than 30 days following the end of each Monthly Period with respect to the remaining items listed below, the Servicer shall forward to the Trustee, the Administrative Agent and the Rating Agencies a statement, substantially in the form of Exhibit E to this Variable Funding Supplement, including the following information:

(i) the amount of Net Principal Collections received in the Collection Account during the related Monthly Period and allocated in respect of each Class of Series 2002-1 Certificates;

(ii) the amount of Total Finance Charge Collections processed during the related Monthly Period and allocated in respect of each Class of Series 2002-1 Certificates;

(iii) the aggregate amount of Principal Receivables, the Invested Amount, the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount, the Transferor Amount, the Floating Allocation Percentage and, during the Amortization Period, the Fixed/Floating Allocation Percentage with respect to the Principal Receivables in the Trust as of the end of the day on the last day of the Monthly Period preceding such Distribution Date;

(iv) the aggregate outstanding balance of Accounts which are 30, 60, 90, 120, 150 and 180 days or more delinquent as of the end of each billing cycle during the preceding Monthly Period for such account;

(v) the aggregate Investor Default Amount for the related Monthly Period;

(vi) the aggregate Investor Uncovered Dilution Amount for the related Monthly Period;

(vii) the aggregate amount of Class A Investor Charge-Offs, Class B Investor Charge-Offs and Class C Investor Charge-Offs for the related Monthly Period and reimbursements thereof;

(viii) the aggregate amount of the Monthly Servicing Fee for the related Monthly Period;

(ix) the Excess Spread Percentage, the Excess Spread Enhancement Cap Percentage, the Payment Rate Percentage, the Payment Rate Enhancement Cap Percentage, the Enhancement Percentage, the Charge Off Ratio, the Delinquency Ratio and the Automatic Addition Percentage for the related Monthly Period;

(x) the Available Reserve Account Amount on the last day of Monthly Period immediately preceding the related Monthly Period, the aggregate deposits in the Reserve Account during the related Monthly Period, the aggregate disbursements from the Reserve Account during such Monthly Period, and the Available Reserve Account

Amount and the Required Reserve Account Amount on the last day of such Monthly Period; and

(xi) the Portfolio Yield and the average of the daily Base Rates for the related Monthly Period.

Section 5.3 ANNUAL CERTIFICATEHOLDERS' TAX STATEMENT. On or before January 31 of each calendar year, beginning with calendar year 2003, the Trustee shall distribute to each Person who at any time during the preceding calendar year was a Series 2002-1 Certificateholder, a statement prepared by the Servicer containing information regarding the amounts distributed to such Person and the principal and interest portion thereof, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 2002-1 Certificateholder, together with such other customary information (consistent with the treatment of the Certificates as debt) as the Trustee or the Servicer deems necessary or desirable to enable the Series 2002-1 Certificateholders to prepare their tax returns. Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Internal Revenue Code as from time to time in effect.

SECTION 9. ARTICLE VI OF THE AGREEMENT. The Opinion of Counsel referred to in clause (d)(i) of the seventh sentence of Section 6.9(b) of the Agreement shall mean, with respect to the Series 2002-1 Certificates, an Opinion of Counsel to the effect that the Class A Certificates and the Class B Certificates will not represent interests in an association taxable as a corporation or a publicly traded partnership for federal income tax purposes. Except as provided in the preceding sentence, sections 6.1 through 6.14 of the Agreement shall be read in their entirety as provided in the Agreement. Article VI (except for Sections 6.1 through 6.14 thereof) shall read in its entirety as follows and shall be applicable only to the Series 2002-1 Certificates:

Section 6.15 VFC ADDITIONAL INVESTED AMOUNTS. (a) The Holders of the Class

A Certificates, the Holders of the Class B Certificates and the Holders of the Class C Certificates agree, by acceptance of the Class A Certificates, the Class B Certificates or the Class C Certificates, respectively, that the Transferor may from time to time prior to the Amortization Period Commencement Date for the Variable Funding Certificates (i) as to any Committed Purchaser, require and (ii) as to any Noncommitted Purchaser, request that such Holder acquire as of any Business Day additional undivided interests in the Trust in specified amounts (such amounts, respectively, the "VFC ADDITIONAL CLASS A INVESTED AMOUNT," the "VFC ADDITIONAL CLASS B INVESTED AMOUNT," and the "VFC ADDITIONAL CLASS C INVESTED AMOUNT" and, collectively, the "VFC ADDITIONAL INVESTED AMOUNTS") not to exceed, after giving effect thereto, an amount equal to (1) the aggregate amount of Principal Receivables and amounts on deposit in the Excess Funding Account (other than investment earnings thereon), (2) PLUS the amount on deposit in the Excess Purchase Account, MINUS (3) the greater of (A) the sum of (x) the aggregate Invested Amount of each Series then outstanding as of such day including the Variable Funding Certificates minus amounts on deposit in the principal funding account for any Series and (y) the Minimum Transferor Amount as of such day or (B) the Minimum Aggregate Principal Receivables.

(b) The obligation of any Holder of Class A Certificates to acquire any VFC Additional Class A Invested Amount shall be subject to the satisfaction of any applicable conditions provided in the Class A Certificate Purchase Agreement and subject to the further conditions that, after giving effect to such acquisition and to any concurrent acquisitions of VFC Additional Invested Amounts, (i) the Class B Invested Amount shall be equal to or greater than the Required Class B Invested Amount and the Class C Invested Amount shall be equal to or greater than the Required Class C Invested Amount and (ii) the sum of the Available Reserve Amount plus the excess, if any, of the Class C Invested Amount over 10% of the Invested Amount shall be equal to or greater than the Required Reserve Amount. The obligation of any Holder of Class B Certificates to acquire any VFC Additional Class B Invested Amount shall be subject to the satisfaction of any applicable conditions provided in the Class B Certificate Purchase Agreement and subject to the further conditions that, after giving effect to such acquisition and to any concurrent acquisitions of VFC Additional Invested Amounts, (i) the Class C Invested Amount shall be equal to or greater than the Required Class C Invested Amount and (ii) the sum of the Available Reserve Amount plus the excess, if any, of the Class C Invested Amount over 10% of the Invested Amount shall be equal to or greater than the Required Reserve Amount.

(c) If the Holders of the Class A Certificates acquire such additional interest, then in consideration of such Holder's payments of the VFC Additional Class A Invested Amount, the Servicer shall note such VFC Additional Class A Invested Amount on the related Daily Report and direct the Trustee to pay to the Transferor such VFC Additional Invested Amounts, and the Invested Amount of the Class A Variable Funding Certificates will be equal to the Invested Amount of the Class A Certificates stated in such Daily Report. If the Holders of the Class B Certificates acquire such additional interest, then in consideration of such Holder's payments of the VFC Additional Class B Invested Amount, the Servicer shall note such VFC Additional Class B Invested Amount on the related Daily Report and direct the Trustee to pay to the Transferor such VFC Additional Invested Amounts, and the Invested Amount of the Class B Certificates will be equal to the Invested Amount of the Class B Certificates stated in such Daily Report. If the Holders of the Class C Certificates acquire such additional interest, then in consideration of such Holder's payments of the VFC Additional Class C Invested Amount, the Servicer shall appropriately note such VFC Additional Class C Invested Amount on the related Daily Report and direct the Trustee to pay to the Transferor such VFC Additional Invested Amounts, and the Invested Amount of the Class C Certificates will be equal to the Invested Amount of the Class C Certificates stated in such Daily Report.

(d) The proceeds of the purchase on any Business Day of VFC Additional Invested Amounts received by the Trustee shall be deposited upon receipt into the Proceeds Account. To the extent that on any purchase date and after giving effect to the purchase of VFC Additional Invested Amounts pursuant to this Section 6.15, (a) the greater of (i) the sum of (A) the aggregate Invested Amount of each Series then outstanding as of such day including the Variable Funding Certificates minus amounts on deposit in the principal funding account for any Series and (B) the Minimum Transferor Amount as of such day or (ii) the Minimum Aggregate Principal Receivables exceeds (b) an amount equal to the aggregate amount of Principal Receivables and amounts on deposit in the Excess Funding Account (other than investment earnings thereon), the Servicer shall instruct the Trustee, and the Trustee, upon such instruction from the Servicer,

shall withdraw a portion of the purchase price for such VFC Additional

Invested Amounts equal to such excess from the Proceeds Account and deposit such portion into the Excess Purchase Account. The Trustee shall withdraw any remaining Proceeds of such purchase price from the Proceeds Account and transfer such amounts to the Transferor in accordance with the instructions of the Servicer.

(e) In the event that the proceeds of a purchase of any VFC Additional Class A Invested Amounts required to be made on a Business Day pursuant to the Class A Certificate Purchase Agreement shall not have been received in the Proceeds Account by 1:00 p.m., New York City time, on such Business Day, the Servicer shall notify the Class A Agent and the Transferor by not later than 1:30 p.m., New York City time, on such Business Day. In the event that the proceeds of a purchase of any VFC Additional Class B Invested Amounts required to be made on a Business Day pursuant to the Class B Certificate Purchase Agreement shall not have been received in the Proceeds Account by 1:00 p.m., New York City time, on such Business Day, the Servicer shall notify the Class B Agent and the Transferor by not later than 1:30 p.m., New York City time, on such Business Day.

Section 6.16 EXTENSION. (a) If a Pay Out Event has not occurred or has occurred but has been remedied on or before the 30th Business Day preceding the Extension Date, the Transferor, in its sole discretion, may deliver to the Trustee on or before such date a notice substantially in the form of Exhibit B (the "EXTENSION NOTICE") to this Variable Funding Supplement. The Trustee shall mail a copy of the Extension Notice and all documents annexed thereto to the Investor Certificateholders of record on the date of receipt thereof. The Transferor shall state in the Extension Notice that it intends to extend the Revolving Period until the later Amortization Period Commencement Date set forth in the Extension Notice. The Extension Notice shall also set forth the next Extension Date. The following documents shall be annexed to the Extension Notice: (i) a form of the Opinion of Counsel addressed to the Transferor and the Trustee to the effect that despite the Extension the Trust will not be treated as an association taxable as a corporation (the "EXTENSION TAX OPINION"); (ii) a form of the Opinion of Counsel addressed to the Transferor and the Trustee (the "EXTENSION OPINION") to the effect that (A) the Transferor has the corporate power and authority to effect the Extension, (B) the Extension has been duly authorized by the Transferor, and (C) all conditions precedent to the Extension required by this Section 6.16 have been fulfilled; and (iii) a form of Investor Certificateholder Election Notice substantially in the form of Exhibit C (the "ELECTION NOTICE") to this Variable Funding Supplement. In addition, the Extension Notice shall state that any Investor Certificateholder electing to approve the Extension must do so on or before the Election Date (as defined below) by returning the annexed Election Notice properly executed to the Trustee in the manner described below. The Extension Notice shall also state that an Investor Certificateholder may withdraw any such election in whole or in part on or before the Election Date, and the Transferor, in its sole discretion, may, prior to the Election Date, withdraw its election to extend the Revolving Period. Any Holder that elects to approve an Extension hereunder shall deliver a duly executed Election Notice to the Trustee at the address designated in the Extension Notice on or before 3:00 p.m., New York City time, on or before the fifth Business Day preceding the Extension Date (such Business Day constituting the "ELECTION DATE").

(b) No Extension shall occur until prior satisfaction of the following conditions at the close of business on the Election Date: (i) no Pay Out Event shall have

occurred and be continuing, (ii) there shall have been delivered to the Trustee (A) the Extension Tax Opinion and the Extension Opinion, each addressed to the Transferor and the Trustee and (B) written confirmation from each Rating Agency rating the Class A Certificates or the Class B Certificates or providing informal ratings on such Series 2002-1 Variable Funding Certificates for the benefit of a Class A Certificateholder or Class B Certificateholder that the Extension will not cause such Rating Agency to lower its then current rating or informal rating or withdraw its ratings or informal ratings of such Investor Certificates, (iii) the holders of more than 50% of the principal amount of Class A Certificates and of more than 50% of the principal amount of Class B Certificates shall have elected to approve the Extension by returning to the Trustee on or before the Election Date the executed Election Notice annexed to

the Extension Notice delivered to such Class A Certificateholders and Class B Certificateholders pursuant to subsection 6.16(a) of the Agreement, (iv) if provided for by the Transferor, in its sole discretion, in the Extension Notice, the holders of a specified minimum amount of outstanding Class C Certificates shall have elected to approve of the Extension by returning to the Trustee on or before the Election Date the executed form of Election Notice annexed to the Extension Notice delivered to such Class C Certificateholders pursuant to subsection 6.16(a) of the Agreement and (v) the Transferor shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that all conditions precedent in this subparagraph (b) have been satisfied. If, by the close of business on the Election Date, all of the conditions stated in this subsection 6.16(b) of the Agreement have not been satisfied and all such documents delivered to the Trustee pursuant to this subsection 6.16(b) of the Agreement are not in form satisfactory to it, or if the Transferor has notified the Trustee, prior to the Election Date, that the Transferor has exercised its right to withdraw its election of an Extension, no Extension shall occur.

(c) The execution by the required number of Investor Certificateholders of the applicable Election Notice and return thereof to the Trustee by the required date and time, the continued election by the Transferor to extend the Revolving Period at the Election Date, and the compliance with all of the provisions of this Section 6.16, shall evidence an extension or renewal of the obligations represented by the Investor Certificates delivered in exchange therefor, and not a novation or extinguishment of such obligations or a substitution with respect thereto.

(d) To the extent required by applicable laws and regulations, as evidenced by an Opinion of Counsel delivered by the Transferor to the Trustee, the provisions of this Section 6.16 shall or may be modified to comply with all applicable laws and regulations in effect at the time of a prepared Extension.

Section 6.17 TRANSFERS OF CLASS C CERTIFICATES; LEGENDS. (a) No Class C Certificate or any interest therein may be sold (including in the initial offering), conveyed, assigned, hypothecated, pledged, participated or otherwise transferred (each such act or event, a "TRANSFER"), except in accordance with this Section 6.17. Any Transfer of a Class C Certificate otherwise permitted by this Section 6.17 will be permitted only if it consists of a PRO RATA percentage interest in all payments made with respect to such Holder's beneficial interest in the Class C Certificates. No Transfer of a Class C Certificate or any interest therein to any Person (each, a "CLASS C ASSIGNEE") may occur, unless the Class C Assignee shall have executed and delivered to the Trustee an investment letter substantially in the form of Exhibit D hereto and the Transferor shall have granted its prior written consent thereto. Such consent shall not be granted if the Transferor determines in its sole and absolute discretion that

such Transfer would create a risk that the Trust would be classified for federal or any applicable state tax purposes as an association or publicly traded partnership taxable as a corporation; PROVIDED, that any attempted Transfer that would cause the number of Targeted Holders to exceed ninety-nine shall be void; and PROVIDED, FURTHER, that the number of Targeted Holders for the Trust as a result of Transfers of Class C Certificates shall not be more than ten or such other number as may be consented to by the Transferor, which consent may be withheld in its sole and absolute discretion. The Transferor agrees to monitor the number of Targeted Holders and to deny its consent to any transfer of a Class C Certificate or any interest therein if such transfer could cause the number of Targeted Holders to exceed ninety-nine.

(b) Each initial purchaser of a Class C Certificate or any interest therein and any Class C Assignee thereof shall certify to the Transferor, the Servicer and the Trustee that it has neither acquired nor will it sell, trade or transfer any interest in a Class C Certificate or cause an interest in a Class C Certificate to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code and any proposed, temporary or final treasury regulation thereunder, including, without limitation, an over-the-counter-market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. In addition, each initial purchaser of a Class C Certificate or any interest therein and any Class C Assignee shall certify, prior to any delivery or Transfer to it of a Class C Certificate, that it is not and, for so long as it holds any interest in a Class C Certificate, will not become a partnership, Subchapter S corporation or grantor trust for

U.S. federal income tax purposes. If an initial purchaser of an interest in a Class C Certificate or a Class C Assignee cannot make the certification described in the preceding sentence, the Transferor may, in its sole discretion, prohibit a Transfer to such entity; PROVIDED, HOWEVER, that if the Transferor agrees to permit such a Transfer, the Transferor or the Servicer may require additional certifications in order to prevent the Trust from being treated as a publicly traded partnership. Each initial purchaser of an interest in a Class C Certificate and each Class C Assignee acknowledges that any Opinion of Counsel furnished to the Transferor or the Trustee to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation will be dependent in part on the accuracy of the certifications described in this subsection 6.17(b).

(c) Subject to the provisions of subsections 6.17(a) and 6.17(b) above, the Transferor may at any time, without the consent of the Investor Certificateholders, (i) sell or transfer all or a portion of the Class C Certificates and (ii) in connection with any such sale or transfer, enter into a supplemental agreement with the Trustee pursuant to which the Transferor may amend the Class C Certificate Rate, set forth the amount of monthly interest due Class C Certificateholders (the "CLASS C INTEREST"), provide for the payment of additional amounts (the "CLASS C ADDITIONAL INTEREST") with respect to any shortfall (the "CLASS C INTEREST SHORTFALL") in payments of such Class C Interest and provide for such other provisions with respect to the Class C Certificates as may be specified in such supplemental agreement, PROVIDED that in each such case (A) the Transferor shall have given written notice to the Trustee, the Servicer, the Administrative Agent and the Rating Agencies of such proposed sale or transfer of the Class C Certificates and such supplemental agreement at least five Business Days prior to the consummation of such sale or transfer and the execution of such proposed supplemental agreement; (B) the Rating Agency Condition shall have been satisfied; (C) no Trust Pay Out Event or Series 2002-1 Pay Out Event shall have occurred prior to the consummation of such proposed sale or transfer of Class C Certificates or the execution of such

supplemental agreement; (D) the Transferor shall have delivered an Officer's Certificate, dated the date of the consummation of such sale or transfer and the effectiveness of such supplemental agreement, to the effect that, in the reasonable belief of the Transferor, such action will not, based on the facts known to such officer at the time of such certification, cause a Pay Out Event to occur with respect to any Series, (E) the Transferor will have delivered an Opinion of Counsel, dated the date of such certificate with respect to such action to the effect that such action will not adversely affect the Federal or Applicable Tax State income tax characterization of any outstanding Series of Investor Certificates or the taxability of the Trust under Federal or Applicable Tax State income tax laws, and (F) either (x) the Available Reserve Amount on the most recent Determination Date (after giving effect to all payments and allocations on such Determination Date) shall have been equal to or greater than the Required Reserve Amount on such Determination Date, each recalculated on a pro forma basis as though the Class C Certificates had borne interest at the amended Class C Interest Rate throughout each of the three Monthly Periods preceding such Determination Date or (y) the Administrative Agent shall have consented to such supplemental agreement and the terms and conditions set forth therein; PROVIDED, FURTHER, as a condition to the sale or transfer of all or a portion of the Class C Certificates the transferee shall be required to agree not to institute against, or join any other Person in instituting against, or join any other Person instituting against, the Trust or the Transferor any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after all Investor Certificates are paid in full.

(d) Transfers of Class C Certificates shall also be subject to the provisions of subsection 3(c) of this Variable Funding Supplement.

Section 6.18 TRANSFERS OF VARIABLE FUNDING CERTIFICATES; LEGENDS. (a) The provisions of this Section 6.18 shall apply to the Class A Certificates and the Class B Certificates unless, with respect to such Class, the Transferor and the Trustee shall have received an Opinion of Counsel to the effect that such Class will be treated as indebtedness for federal income tax purposes.

(b) Subject to subsection 6.18(a), no Transfer of a Class A Certificate or Class B Certificate or any interest therein (including in the initial offering) may occur, except in accordance with this Section 6.18. Any Transfer of a Class A Certificate or Class B Certificate otherwise permitted by this Section 6.18

will be permitted only if it consists of a PRO RATA percentage in all payments made with respect to such Holder's beneficial interest in the Class A Certificates or Class B Certificates, as the case may be. No Transfer of a Class A Certificate or a Class B Certificate or any interest therein to any Person (an "ASSIGNEE") shall be permitted, unless such Assignee shall have executed and delivered to the Trustee an investment letter substantially in the form of Exhibit A to the Class A Certificate Purchase Agreement or to the Class B Certificate Purchase Agreement, as applicable. A Structured Purchaser may effect a Transfer of a Class A Certificate or a Class B Certificate to one or more Support Banks pursuant to a Liquidity Agreement (a "LIQUIDITY TRANSFER") without the Transferor's consent, PROVIDED, that each Support Bank satisfies the certification requirements of Section 6.18(c). Any Transfer of a Class A Certificate or a Class B Certificate or any interest therein other than a Liquidity Transfer shall require the Transferor's prior written consent. For transfers other than Liquidity Transfers, the Transferor shall monitor the number of Targeted Holders and shall not

deny its consent unless the Transferor reasonably determines that such Transfer would (i) create a risk that the Trust would be classified for federal or any applicable state tax purposes as an association or publicly traded partnership taxable as a corporation, (ii) cause the number of Targeted Holders, including potential Liquidity Transfer transferees, to exceed ninety-nine, or (iii) cause the number of Targeted Holders, including potential Liquidity Transfer transferees, of Class A or Class B Certificates or any interest therein to exceed twenty (or such higher number as the Transferor in its sole discretion may agree to), (iv) be to a transferee that cannot make the certifications required under Section 6.18(c), or (v) be prohibited by the Class A Certificate Purchase Agreement or the Class B Certificate Purchase Agreement, as applicable. To assist the Transferor in this regard, each Structured Purchaser, at the time of initial purchase and at the time of any increase therein, shall advise the Transferor in writing of the maximum number of Support Banks to which such Structured Purchaser could transfer a Class A or Class B Certificate pursuant to the related Liquidity Agreement. Any attempted Transfer (other than a Liquidity Transfer) that would cause the number of Targeted Holders to exceed ninety-nine shall be void.

(c) Each initial purchaser of a Class A Certificate or a Class B Certificate, as applicable, or any interest therein and any Assignee thereof shall certify to the Transferor, the Servicer and the Trustee that it has neither acquired nor will it sell, trade or transfer any interest in a Class A Certificate or Class B Certificate, as applicable, or cause an interest in a Class A Certificate or Class B Certificate, as applicable, to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Code and any proposed, temporary or final treasury regulation thereunder, including, without limitation, an over-the-counter-market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. In addition, each initial purchaser of a Class A Certificate or a Class B Certificate, as applicable, or any interest therein and any Assignee shall certify, prior to any delivery or Transfer to it of a Class A Certificate or Class B Certificate, as applicable, that it is not and, for so long as it holds any interest in a Class A Certificate or Class B Certificate, as applicable, will not become a partnership, Subchapter S corporation or grantor trust for U.S. federal income tax purposes. If an initial purchaser of an interest in a Class A Certificate or Class B Certificate or an Assignee cannot make the certification described in the preceding sentence, the Transferor may, in its sole discretion, by written notice to the Trustee permit a Transfer to such entity; PROVIDED, HOWEVER, that if the Transferor agrees to permit such a Transfer, the Transferor, the Servicer or the Trustee may require additional certifications in order to prevent the Trust from being treated as a publicly traded partnership. Each initial purchaser of an interest in a Class A Certificate or a Class B Certificate and each Assignee acknowledges that the Opinion of Counsel to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation is dependent in part on the accuracy of the certifications described in this subsection 6.18(c).

(d) Transfers of Class A Certificates or Class B Certificates shall also be subject to the provisions of subsection 3(c) of this Variable Funding Supplement.

SECTION 10. SERIES 2002-1 PAY OUT EVENTS. The Pay Out Events which can cause the commencement of the Amortization Period with respect to the Series 2002-1 Variable Funding Certificates include the Trust Pay Out Events described

in Section 9.1 of the

Agreement and the Series 2002-1 Pay Out Events described in the following sentence. If any one of the following events shall occur with respect to the Series 2002-1 Certificates:

(a) failure on the part of the Transferor (i) to make any payment or deposit required by the terms of (A) the Agreement or (B) this Variable Funding Supplement, on or before the date occurring five days after the date such payment or deposit is required to be made herein or (ii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set forth in the Agreement or this Variable Funding Supplement, which failure has a material adverse effect on the Series 2002-1 Variable Funding Certificateholders and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, and continues to affect materially and adversely the interests of the Series 2002-1 Variable Funding Certificateholders for such period;

(b) any representation or warranty made by the Transferor in the Agreement or this Series 2002-1 Variable Funding Supplement, or any information contained in a computer file or microfiche list required to be delivered by the Transferor pursuant to Section 2.1 or 2.6 of the Agreement, (i) shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, and (ii) as a result of which the interests of the Series 2002-1 Variable Funding Certificateholders are materially and adversely affected and continue to be materially and adversely affected for such period; PROVIDED, HOWEVER, that a Series 2002-1 Pay Out Event pursuant to this subsection 10(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Agreement;

(c) the average Portfolio Yield for any three consecutive Monthly Periods is reduced to a rate which is less than the average of the daily Base Rates for such period;

(d) (i) the Transferor Amount shall be less than the Minimum Transferor Amount or (ii) the sum of the amount of Principal Receivables in the Trust and the amount on deposit in the Excess Funding Account shall be less than the Minimum Aggregate Principal Receivables, in each case for 15 consecutive days;

(e) any Servicer Default shall occur which would have a material adverse effect on the Series 2002-1 Variable Funding Certificateholders;

(f) failure on the part of the Servicer to deliver the Daily Report or Settlement Statement to the Trustee when due, which failure continues for a period of five Business Days

after the date on which written notice of such failure, requiring the same to be remedied, shall have been given by the Trustee to the Servicer;

(g) the Trustee shall have received written notice from the Administrative Agent that a Termination Event has occurred under the Class A Certificate Purchase Agreement or the Class B Certificate Purchase Agreement and stating that such occurrence constitutes a Series 2002-1 Pay Out Event;

(h) failure on the part of the Servicer duly to observe or perform in any respect any covenants or agreements of the Servicer set forth in the Agreement (other than those set forth in subsection 10.1(a) or 10.1(f) thereof), which has a material adverse effect on the Series 2002-1 Variable Funding

Certificateholders and which continues unremedied for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, has been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, materially adversely affected thereby and continues to materially adversely affect such Series 2002-1 Variable Funding Certificateholders for such period; or the Servicer shall delegate its duties under the Agreement, except as permitted by Section 8.7 thereof; or any representation, warranty or certification made by the Servicer in the Agreement or in any certificate delivered pursuant to the Agreement shall prove to have been incorrect when made, which has a material adverse effect on the Series 2002-1 Variable Funding Certificateholders and which continues to be incorrect in any material respect for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, materially adversely affected thereby and continues to materially adversely affect such Series 2002-1 Variable Funding Certificateholders for such period;

(i) failure on the part of the Originator (i) to make any payment or deposit required by the terms of the Receivables Purchase Agreement on or before the date occurring five days after the date such payment or deposit is required to be made therein or (ii) duly to observe or perform in any material respect any covenants or agreements of the Originator set forth in the Receivables Purchase Agreement, which failure has a material adverse effect on the Series 2002-1 Variable Funding Certificateholders and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Originator by the Trustee, or to the Originator and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, and continues to affect materially and adversely the interests of the Series 2002-1 Variable Funding Certificateholders for such period;

(j) any representation or warranty made by the Originator in the Receivables Purchase Agreement, or any information contained in a transmittal list required to be delivered

by the Originator pursuant to Section 2.02 thereof, (i) shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Originator by the Trustee, or to the Originator and the Trustee by the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, and (ii) as a result of which the interests of the Series 2002-1 Variable Funding Certificateholders are materially and adversely affected and continue to be materially and adversely affected for such period; PROVIDED, HOWEVER, that a Series 2002-1 Pay Out Event pursuant to this subsection 10(k) shall not be deemed to have occurred hereunder if the Originator has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Receivables Purchase Agreement;

(k) Federated shall cease to own directly or indirectly 100% of the issued and outstanding capital stock of each of the Transferor and the Originator;

(l) the Originator shall not be in compliance with all minimum ratios of total capital (and core capital) to risk-weighted-assets required by the governmental authorities regulating the Originator in accordance with the implementation by such authorities of the Basle Accord and such noncompliance shall have continued for a period of 30 days; or

(m) the sum of (i) Transferor's tangible net worth (determined in accordance with generally accepted accounting principles) plus (ii) to the extent excluded in determining such tangible net worth, the outstanding

principal amount of, and all accrued and unpaid interest on, the subordinated promissory note from the Transferor to FCHC referred to in subsection 2.5(1) of the Agreement, at any time shall be less than $20,000,000, and such condition shall continue for a period of 30 days;

then, in the case of any event described in subparagraph (a), (b), (e), (f), (h), (i), (j), (k), (1) or (m) after the applicable grace period, if any, set forth in such subparagraphs, either the Trustee or the Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, by notice then given in writing to the Transferor and the Servicer (and to the Trustee if given by the Certificateholders) may declare that a pay out event (a "Series 2002-1 Pay Out Event") has occurred as of the date of such notice, and in the case of any event described in subparagraph (c), (d), (g) or (h), a Series 2002-1 Pay Out Event shall occur without any notice or other action on the part of the Trustee or the Series 2002-1 Variable Funding Certificateholders immediately upon the occurrence of such event. The Servicer shall provide prompt written notice to the Rating Agencies of the occurrence of any Pay Out Event following the Servicer's obtaining actual knowledge of such event.

SECTION 11. SUCCESSOR SERVICER AND DELEGATION. (a) Section 10.2 of the Agreement shall read in its entirety as provided in the Agreement and, in addition, the following sentence should be inserted in the fifteenth line of Section 10.2(a) between the phrase "acceptable to the Trustee." and "If such Successor Servicer is" and shall be applicable only with respect to the Series 2002-1 Certificates: "Any Successor Servicer must

either (A) be approved in writing by the Class A Agent and the Class B Agent, which approvals shall not be unreasonably withheld, or (B) be a Person which (i) has a net worth of at least $50,000,000, (ii) has serviced at least $2,000,000,000 of credit or charge card receivables at any one time outstanding during the previous 12 months and (iii) has a senior long-term debt rating, as determined by at least one nationally recognized statistical rating organization, of at least 'BBB' or its equivalent, PROVIDED, that if such Successor Servicer has no long term debt or such debt is not rated by a nationally recognized statistical rating organization, the long term debt rating of its parent must be at least 'BBB' or its equivalent."

(b) The Servicer shall not delegate any significant duties as servicer under the Agreement pursuant to Section 8.7 thereof to any Person other than an Affiliate of FDSB except in accordance with such Section and with the prior written consent of the Administrative Agent acting at the direction of Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount or of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, which direction shall not be unreasonably withheld.

(c) The Trustee covenants and agrees that, so long as any portion of the Class A Investor Principal Balance (as defined in the Class A Certificate Purchase Agreement) or the Class B Investor Principal Balance (as defined in the Class B Certificate Purchase Agreement) shall remain outstanding or any monetary obligation arising hereunder or under the Class A Certificate Purchase Agreement or the Class B Certificate Purchase Agreement to the Class A Agent, the Class B Agent or any purchaser thereunder shall remain unpaid, unless Holders of Class A Certificates evidencing Undivided Interests aggregating more than 50% of the Class A Invested Amount and of Class B Certificates evidencing Undivided Interests aggregating more than 50% of the Class B Invested Amount, shall otherwise consent in writing, it shall, for the benefit of the Class A Certificateholders, the Class A Agent, the Class B Certificateholders and the Class B Agent, and so long as the Class B Certificate Purchase Agreement or the Class B Certificate Purchase Agreement, as the case may be, shall be in effect, use reasonable efforts to consult with the Class A Agent and the Class B Agent prior to any appointment of any Successor Servicer pursuant to Section 10.2 of the Agreement; PROVIDED that the consent of the Class A Certificateholders or the Class B Certificateholders to the appointment of a Successor Servicer shall only be required if otherwise required under the terms of the Agreement.

SECTION 12. SUCCESSOR TRUSTEE. Section 11.6 of the Agreement shall read in its entirety as provided in the Agreement and, in addition, the following sentence shall be added to the end of subsection 11.6(c) of the Agreement and shall be applicable only to the Series 2002-1 Certificates: "Any successor

trustee appointed pursuant to this Section 11.6 shall be subject to the written consent of the Administrative Agent (which consent shall not be unreasonably withheld)."

SECTION 13. NOTICES TO ADMINISTRATIVE AGENT. A copy of each notice, demand, direction, report, Officer's Certificate or other certificate, election and opinion required to be sent or delivered pursuant to Section or subsection 1.2(d), 2.3, 2.4(b), 2.4(d), 2.5(f), 2.6(d), 2.6(e), 2.7, 3.5, 3.6, 6.3(b), 6.9, 6.14, 7.2, 8.2, 8.7, 9.2, 10.1, 10.2, 10.3, 10.4, 11.6, 11.9, 11.15, 12.1, 12.2 or 13.2 of the Agreement shall also be sent or delivered and, in the case of

opinions, shall be addressed to the Administrative Agent. The Trustee shall also promptly furnish to the Administrative Agent a copy of any notice delivered to it by any Holder of Investor Certificates (other than notices which relate solely to a Series of Investor Certificates other than the Series 2002-1 Certificates or in connection with transfers of Certificates).

The Transferor shall give prompt notice to the Administrative Agent (if not otherwise provided for in the Agreement or this Variable Funding Supplement) of any deposit made pursuant to subsection 2.4(c) or 3.8(a) of the Agreement, any change in Charge Account Agreements or the Credit and Collection Policy pursuant to subsection Section 2.5(c) of the Agreement or Section 14 of this Variable Funding Supplement that constitutes a change to the Charge Account Agreements, any transfer pursuant to subsection 2.5(f) of the Agreement and any circumstance contemplated by subsection 3.1(c) of the Agreement. The Servicer shall give prompt notice to the Administrative Agent of any change in the depositary holding the Collection Account pursuant to subsection 4.2(a) of the Agreement, and the Trustee shall give prompt notice to the Administrative Agent of the appointment or change of any Paying Agent pursuant to Section 6.6 of the Agreement and any merger, conversion or consolidation of the Trustee as contemplated by Section 11.9 of the Agreement.

SECTION 14. CHARGE ACCOUNT AGREEMENTS AND CREDIT AND COLLECTION POLICIES. Section 2.5(c) of the Agreement shall read in its entirety as set forth below and as so amended and restated shall be applicable only with respect to the Series 2002-1 Certificates: "The Transferor shall comply with and perform its obligations and shall cause the Originator to comply with and perform their obligations under the Charge Account Agreements relating to the Accounts and the Credit and Collection Policy except insofar as any failure to comply or perform would not materially and adversely affect the rights of the Trust or the Certificateholders hereunder or under the Certificates. The Transferor may change the terms and provisions of the Charge Account Agreements or the Credit and Collection Policy in any respect (including, without limitation, the reduction of the required minimum monthly payment, the calculation of the amount, or the timing, of charge offs and the periodic finance charges and other fees to be assessed thereon) only if such change (i) would not, in the reasonable belief of the Transferor, cause, immediately or with the passage of time, a Series 2002-1 Pay Out Event to occur, (ii) (A) if it owns a comparable segment of charge card accounts, such change is made applicable to the comparable segment of the revolving credit card accounts owned by the Transferor, if any, which have characteristics the same as, or substantially similar to, the Accounts that are the subject of such change and (B) if it does not own such a comparable segment, it will not make any such change with the intent to materially benefit the Transferor or the Originator over the Investor Certificateholders, except as otherwise restricted by an endorsement, sponsorship, or other agreement between the Transferor and an unrelated third party or by the terms of the Charge Account Agreements, and (iii) if the Servicer is servicing charge card accounts owned by an unrelated third party, such change would not result in the Servicer's applying a materially higher standard of care to the servicing of such accounts than it applies under this Agreement. Notwithstanding the Credit and Collection Policy, in the event that (i) a Servicer Default shall have occurred, or (ii) any event or circumstance described in subsection 9.1(a) of the Agreement shall have occurred with respect to Federated, the Servicer shall promptly take all steps necessary to cause the availability of In-Store Payments to cease and shall indemnify and hold the Trust harmless from any loss resulting from any further In-Store

Payments which for any reason are not available for application as Collections as provided in the Agreement."

SECTION 15. MINIMUM DENOMINATIONS. The Series 2002-1 Certificates shall

initially be issued in the principal amounts of $88,000,000 Class A Variable Funding Certificates, $11,000,000 Class B Variable Funding Certificates and $11,000,000 Class C Certificates. There shall be no minimum denomination for the Series 2002-1 Certificates and the principal amount thereof shall equal on any day the principal amount thereof reflected on the then most recently issued Daily Report.

SECTION 16. CASH EQUIVALENTS. No investment of any amounts on deposit in any account established pursuant to this Series 2002-1 Variable Funding Supplement which is not otherwise a Cash Equivalent (i) issued by an investment company described in subclause (x) of clause (c) of the definition of Cash Equivalents or (ii) described in clause (d) or (e) of the definition of Cash Equivalent shall constitute a Cash Equivalent without the written approval of the Administrative Agent.

SECTION 17. AUTOMATIC ADDITIONAL ACCOUNTS. The Transferor shall not elect to terminate or suspend the inclusion of Automatic Additional Accounts without the prior written consent of the Administrative Agent acting on behalf of the Holders of Series 2002-1 Variable Funding Certificates as provided in Section 19 of this Variable Funding Supplement; PROVIDED, that if, on any Distribution Date immediately following a Determination Date on which an AAA Reserve Account Trigger occurred, the amount on deposit in the Reserve Account (without giving effect to any amounts deposited therein as a result of the Enhancement Percentage being greater than zero on such Determination Date) is less than the product of (i) the Automatic Addition Percentage on such Distribution Date, times (ii) during the Revolving Period, the Invested Amount on such Distribution Date or, during the Amortization Period, the Invested Amount on the last day of the Revolving Period (a "Suspension Event"), the Transferor will, in accordance with Section 2.6 of the Agreement, declare a Suspension Date; PROVIDED, FURTHER, that, if either (x) on any subsequent day the amount on deposit in the Reserve Account (without giving effect to any amounts deposited therein as a result of the Enhancement Percentage being greater than zero) is at least equal to the product of clauses (i) and (ii) above, or (y) on any subsequent Determination Date no AAA Reserve Account Trigger is continuing, the Transferor may, in its sole discretion, declare a Resumption Date.

SECTION 18. SERIES 2002-1 TERMINATION. The right of the Series 2002-1 Certificateholders to receive payments from the Trust will terminate on the first Business Day following the Series 2002-1 Termination Date.

SECTION 19. ACTIONS BY ADMINISTRATIVE AGENT. The Administrative Agent shall have no obligation hereunder to grant any consent or approval, to give any direction or to take any discretionary action unless and until it has been directed to do so by the Class A Certificateholders as provided in the Class A Certificate Purchase Agreement or by the Class B Certificateholders as provided in the Class B Certificate Purchase Agreement.

SECTION 20. PERIODIC FINANCE CHARGES AND OTHER FEES. The Transferor hereby agrees that, except as otherwise required by any Requirement of Law, or as is

deemed by the Transferor to be necessary in order for the Transferor to maintain its credit card business, based upon a good faith assessment by the Transferor, in its sole discretion, of the nature of the competition in the credit card business, it shall not at any time reduce the Periodic Finance Charges assessed on any Receivable or other fees on any Account if, as a result of such reduction, the Transferor's reasonable expectation of the Portfolio Yield as of such date would be less than the Base Rate.

SECTION 21. RATING AGENCY CONDITION. Any requirement set forth in the Agreement that, with respect to any action or series of related actions or proposed transaction or series or related proposed transactions, each Rating Agency shall have determined and notified the Trustee, the Transferor or the Servicer in writing that such action or series of related actions or proposed transaction or series or related proposed transactions will not result in a reduction or withdrawal of the rating of any Series of Investor Certificates (or any similar requirement), shall mean with respect to the Series 2002-1, that the Rating Agency Condition has been satisfied with respect to such action or series of related actions or proposed transaction or series or related proposed transactions.

SECTION 22. DISTRIBUTION ACCOUNT. There shall be no Distribution Account for Series 2002-1.

SECTION 23. CERTIFICATE PURCHASE AGREEMENTS. The Trustee hereby acknowledges receipt of copies of the Class A Certificate Purchase Agreement and the Class B Certificate Purchase Agreement and agrees to be bound by the provisions of subsection 9.12 (b) and Sections 9.14 and 9.15 of each such agreement applicable to it. The Servicer hereby agrees to provide the Trustee with a copy of any amendment or other modification to either such agreement.

SECTION 24. RATIFICATION OF AGREEMENT. As supplemented by this Variable Funding Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Variable Funding Supplement shall be read, taken, and construed as one and the same instrument.

SECTION 25. COUNTERPARTS. This Variable Funding Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 26. GOVERNING LAW. THIS VARIABLE FUNDING SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 27. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the sufficiency of this Variable Funding Supplement or for in respect of the Preliminary Statement contained herein, all of which recitals are made solely by the Transferor. Anything in the Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever

(including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 28. INSTRUCTIONS IN WRITING. All instructions given by the Servicer to the Trustee pursuant to this Variable Funding Supplement shall be in writing, and may be included in a Daily Report or Settlement Statement.

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this Series 2002-1 Variable Funding Supplement to be duly executed by their respective officers as of the day and year first above written.

PRIME II RECEIVABLES CORPORATION
Transferor

By:/s/ Susan P. Storer

Name: Susan P. Storer
Title: President

FDS BANK
Servicer

By:/s/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

JPMORGAN CHASE BANK
Trustee

By:/s/ Wen Hao Wang

Name: Wen Hao Wang
Title: Asst. Vice President

EXHIBIT A-1

[FORM OF CLASS A VARIABLE FUNDING CERTIFICATE]

THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON EXEMPTIONS PROVIDED BY THE SECURITIES ACT. NO RESALE OR OTHER TRANSFER OF THIS CERTIFICATE MAY BE MADE EXCEPT (A) PU

RSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (B) IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS. NEITHER THE TRANSFEROR NOR THE TRUSTEE IS OBLIGATED TO REGISTER THE CERTIFICATES UNDER THE SECURITIES ACT OR ANY OTHER SECURITIES OR "BLUE SKY" LAW.

EACH HOLDER OF THIS CERTIFICATE OR AN INTEREST THEREIN, BY ACCEPTING AND HOLDING THIS CERTIFICATE, IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (III) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY.

No. % Percentage Interest

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PRIME CREDIT CARD MASTER TRUST II
CLASS A VARIABLE FUNDING CERTIFICATE,
SERIES 2002-1

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts generated or to be generated by FDS BANK ("FDSB") and other assets and interests constituting the Trust under the Pooling and Servicing Agreement described below.

(Not an interest in or a recourse obligation of Prime II Receivables Corporation, FDSB or any affiliate of either of them.)

This certifies that _____ (the "Certificateholder") is the registered owner of a fractional undivided interest in the Prime Credit Card Master Trust II (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of January 22, 1997 (the "Pooling and Servicing Agreement," such term to include any amendment or Supplement thereto) by and among Prime II Receivables Corporation, as Transferor (the "Transferor"), FDSB, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as Trustee (the "Trustee"), and
the Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002 (the "Supplement"), among the Transferor, the Servicer and the Trustee. The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property. The Certificateholder is entitled to payments from time to time as provided in the Pooling and Servicing Agreement.

The holder of this Certificate on any Business Day is entitled to payment in an amount equal to its pro rata share (as provided in the Pooling and Servicing Agreement) of (a) the Class A Initial Invested Amount PLUS (b) an amount equal to the aggregate principal amount of any VFC Additional Class A Invested Amount purchased by the Class A Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement MINUS (c) the aggregate amount of principal payments made to the Class A Certificateholders prior to such Business Day.

This Certificate does not purport to summarize the Pooling and Servicing Agreement and reference is made to the Pooling and Servicing Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. A copy of the Pooling and Servicing Agreement may be requested from the Trustee by writing to the Trustee at 4 New York Plaza, 6th Floor, New York 10004-2413, Attention: Structured Finance Administration. To the extent not

defined herein, the capitalized terms used herein have the meanings ascribed to them in the Pooling and Servicing Agreement. This Certificate is one of a series of Certificates entitled "Prime Credit Card Master Trust II Class A Variable Funding Certificates, Series 2002-1" (the "Class A Variable Funding Certificates"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Pooling and Servicing Agreement, to which Pooling and Servicing Agreement, as amended from time to time, the Certificateholder by virtue of the acceptance hereof assents and by which the Certificateholder is bound.

The Series 2002-1 Certificates are issued in three classes, the Class A Variable Funding Certificates (of which this certificate is one), the Class B Variable Funding Certificates, which are subordinated to the Class A Variable Funding Certificates in certain rights of payment as described in the Agreement and the Class C Certificates, which are subordinated to the Class A Variable Funding Certificates and Class B Variable Funding Certificates in certain rights of payment as described in the Agreement.

A portion of the aggregate Receivables in the Trust as determined pursuant to the Pooling and Servicing Agreement will be treated as Finance Charge Receivables. Such amount may be adjusted from time to time pursuant to the Supplement. The remainder of such Receivables will be treated as Principal Receivables.

Each holder of a Class A Variable Funding Certificate (a "Class A Certificateholder") or any interest therein by acceptance of its Certificate or any interest therein, agrees to treat the Class A Variable Funding Certificates for purposes of federal, state and local franchise taxes and any other tax imposed on or measured by income, as indebtedness of the Transferor to the extent permitted by law.

The Trust's assets are allocated in part to the holders of the Investor Certificates (the "Investor Certificateholders") with the remainder allocated to holders of other Series of Certificates issued by the Trust, if any, and to the Transferor. In addition to the Investor Certificates, an Exchangeable Transferor Certificate will be issued pursuant to the Pooling and Servicing Agreement and will represent the Transferor's Interest in the Trust. The Exchangeable Transferor Certificate will represent the interest in the Receivables not Certificates or any other Series of Certificates. Certificate may be exchanged by the Transferor Servicing Agreement for one or more Series of Exchangeable Transferor Certificate upon the Pooling and Servicing Agreement. In addition, to the extent permitted for any Series of Certificates by the related Supplement, the Certificateholders of such Series may tender their Certificates and the Transferor may tender the Exchangeable Transferor Certificate in exchange for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate.

The aggregate interest in the Trust represented by the Investor Certificates at any time shall not exceed an amount equal to the Invested Amount at such time. The Initial Invested Amount is $_____. The aggregate interest in the Trust represented by the Class A Variable Funding Certificates at any time shall not exceed an amount equal to the Class A Invested Amount at such time. The Class A Initial Invested Amount is $_____.

Interest will accrue on the unpaid principal amount of the Class A Variable Funding Certificates at a per annum rate equal to the Class A Certificate Rate and will be calculated on each Business Day based on the product of the Class A Certificate Rate and the outstanding principal balance of the Class A Variable Funding Certificates on such Business Day.

If on any Determination Date the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period exceeded the aggregate amount of Finance Charge Collections applied to the payment thereof and the Available Reserve Amount, and the amount of Excess Finance Charge Collections and Reallocated Class C Principal Collections allocated pursuant thereto, then a portion of the Class C Invested Amount will be reduced by an amount equal to such insufficiency (but not in excess of the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount for such Monthly Period) to avoid a charge-off with respect to the Class A Variable Funding Certificates or Class B Variable Funding Certificates. If the Class C

Invested Amount is reduced to zero, then a portion of the Class B Invested Amount will be reduced by an amount by which the Class C Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period). If the Class B Invested Amount is reduced to zero, then a portion of the Class A Invested Amount will be reduced by an amount by which the Class B Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period).

The Servicer, is entitled to receive as servicing compensation a servicing fee in an amount equal to, with respect to each Series, the product of (i) a fraction, the numerator of which is the actual number of days in the measuring period specified in the applicable Series Supplement and the denominator of which is the actual number of days in the year, (ii) the applicable Series Servicing Fee Percentage and (iii) the Adjusted Invested Amount as of the end

of the date of determination for such payment as specified in the applicable Series Supplement. The share of the Servicing Fee allocable to the Investor Certificates for any Business Day is equal to the product of (i) a fraction, the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is the actual number of days in the year, (ii) 2.0% per annum and (iii) the Invested Amount as of the end of the preceding Business Day (the "Servicing Fee"). The Servicing Fee will be paid in the manner set forth in the Pooling and Servicing Agreement. The remainder of the servicing compensation will be allocable to the Transferor Amount and the Certificateholders of all other Series, and the Trustee and the Investor Certificateholders will not have any obligation to pay such portion of the servicing compensation.

As described in the Pooling and Servicing Agreement, Principal Collections with respect to any Business Day will be allocated on the basis of the aggregate Investor Percentage of all Series and the Transferor Percentage with respect to the Principal Collections.

Subject to the Pooling and Servicing Agreement and the Supplement, payments of principal are limited to the unpaid Class A Invested Amount of the Class A Variable Funding Certificates, which may be less than the unpaid balance of the Class A Variable Funding Certificates pursuant to the terms of the Pooling and Servicing Agreement and the Supplement. All principal of and interest on the Class A Variable Funding Certificates is due and payable no later than November 3, 2007, unless a different date shall be set forth in an Extension Notice (the "Series Termination Date"). After the Series Termination Date, neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class A Variable Funding Certificates. In the event that the Class A Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of Principal Receivables and the related Finance Charge Receivables (or, in some cases, interests therein) up to 110% of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Certificates determined pursuant to the Pooling and Servicing Agreement), and shall pay the proceeds to the Class A Certificateholders pro rata in final payment of the Class A Variable Funding Certificates, then to the Class B Variable Funding Certificateholders pro rata in final payment of the Class B Variable Funding Certificates and then to the Class C Certificateholders pro rata in final payment of the Class C Certificates.

The transfer of this Certificate shall be registered in the Certificate Register upon surrender of this Certificate for registration of transfer at any office or agency maintained by the Transfer Agent and Registrar accompanied by a written instrument of transfer in a form satisfactory to the Trustee and the Transfer Agent and Registrar duly executed by the Certificateholder or such Certificateholder's attorney-in-fact duly authorized in writing, and thereupon one or more new Class A Variable Funding Certificates of authorized denominations and for the same aggregate fractional Undivided Interests will be issued to the designated transferee or transferees.

As provided in the Pooling and Servicing Agreement and certain limitations therein and herein set forth, Class A Variable Funding Certificates are exchangeable for new Class A Variable Funding Certificates evidencing like aggregate fractional undivided interests,

as requested by the Class A Certificateholder surrendering such Class A Variable Funding Certificates. No service charge may be imposed for any such exchange but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Trustee, the Paying Agent and the Transfer Agent and Registrar, and any agent of any of them, may treat the person in whose name this Certificate is registered as the owner hereof for all purposes, and neither the Trustee, the Paying Agent and the Transfer Agent and Registrar, nor any agent of any of them or of any such agent shall be affected by notice to the contrary except in certain circumstances described in the Pooling and Servicing Agreement.

The Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class A Certificateholders, to cure any ambiguity, to revise any exhibits or schedules (other than Schedule 1) of the Pooling and Servicing Agreement, to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or to add any other provisions with respect to matters or questions raised under the Pooling and Servicing Agreement or the Supplement which shall not be inconsistent with the provisions of the Pooling and Servicing Agreement or the Supplement; PROVIDED, HOWEVER, that such action shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any of the Investor Certificateholders. Additionally, the Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class A Certificateholders, to add to or change any of the provisions of the Pooling and Servicing Agreement (i) to provide that Bearer Certificates may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of (or premium, if any) or any interest on Bearer Certificates to comply with the Bearer Rules, to permit Bearer Certificates to be issued in exchange for Registered Certificates (if then permitted by the Bearer Rules), to permit Bearer Certificates to be issued in exchange for Bearer Certificates of other authorized denominations or to permit the issuance of Certificates in uncertificated form or (ii) to restrict or eliminate in any way the Transferor's right to designate Removed Accounts and to remove from the Trust all of the Trust's right, title and interest in, to and under the Receivables in such Removed Accounts pursuant to Section 2 of the Pooling and Servicing Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's rights, duties or immunities under the Pooling and Servicing Agreement or otherwise.

The Pooling and Servicing Agreement (and any schedule or exhibit thereto) and the Supplement (and any schedule or exhibit thereto) may also be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class A Certificateholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or the Supplement, or of modifying in any manner the rights of the Holders of the Class A Variable Funding Certificates; provided that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the Certificateholders, (ii) such amendment shall not, as evidenced by an Opinion of Counsel, cause the Trust to be characterized for U.S. federal income tax purposes as an association taxable as a corporation or otherwise have any material adverse impact on the U.S. federal income

taxation of the Class A Variable Funding Certificates or the Class A Certificateholders and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the then current rating of any Series or any Class of any Series will not be reduced or withdrawn as a result of such amendment; PROVIDED, FURTHER, that such amendment shall not reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Class A Variable Funding Certificate without the consent of the related Class A Certificateholder, change the definition of or the manner of calculating the interest of any Investor Certificateholder of such Series without the consent of the related Investor Certificateholder or reduce the percentage pursuant to the next succeeding

paragraph required to consent to any such amendment, in each case without the consent of all such Class A Certificateholders.

The Pooling and Servicing Agreement and the Supplement may also be amended from time to time by the Servicer, the Transferor and the Trustee with the consent of the Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 66-2/3% of the Invested Amount of each and every Series adversely affected, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or of modifying in any manner the rights of the Investor Certificateholders of any Series then issued and outstanding; PROVIDED, HOWEVER, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Investor Certificate of any Series without the consent of the related Investor Certificateholders; (ii) change the definition of or the manner of calculating the interest of any Investor Certificateholder of any Series without the consent of the related Investor Certificateholder or (iii) reduce the aforesaid percentage required to consent to any such amendment, in each case without the consent of all such Investor Certificateholders; PROVIDED, FURTHER, that for the purposes of the Officer's Certificate referred to in clause (i) above, any action taken in order to enable the Trust or a portion thereof to elect to qualify as a FASIT (or comparable tax entity for the securitization of financial assets) in accordance with the Internal Revenue Code of 1986, as amended, shall be deemed not to materially and adversely affect the Certificateholders.

THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Pooling and Servicing Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Certificate to be duly executed under its official seal.

PRIME II RECEIVABLES CORPORATION

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Variable Funding Certificates referred to in the within-mentioned Pooling and Servicing Agreement.

JPMorgan Chase Bank,
as Trustee

By:

Authorized Signatory

EXHIBIT A-2

[FORM OF CLASS B VARIABLE FUNDING CERTIFICATE]

THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON EXEMPTIONS PROVIDED BY THE SECURITIES ACT. NO RESALE OR OTHER TRANSFER OF THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (B) IN A TRANSACTION TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE AND APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS. NEITHER THE THE TRUSTEE IS OBLIGATED TO REGISTER THE CERTIFICATES UNDER THE OR ANY OTHER SECURITIES OR "BLUE SKY" LAW.

EACH HOLDER OF THIS CERTIFICATE OR AN INTEREST THEREIN, BY ACCEPTING AND

HOLDING THIS CERTIFICATE, IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (III) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY.

No. % Percentage Interest
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PRIME CREDIT CARD MASTER TRUST II
CLASS B VARIABLE FUNDING CERTIFICATE,
SERIES 2002-1

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts generated or to be generated by FDS BANK ("FDSB") and other assets and interests constituting the Trust under the Pooling and Servicing Agreement described below.

(Not an interest in or a recourse obligation of Prime II Receivables Corporation, FDSB or any affiliate of either of them.)

This certifies that (the "Certificateholder") is the registered owner of a fractional undivided interest in the Prime Credit Card Master Trust II (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of January 22, 1997 (the "Pooling and Servicing Agreement," such term to include any amendment or Supplement thereto) by and among Prime II Receivables Corporation, as Transferor (the "Transferor"), FDSB, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as Trustee (the "Trustee"), and the Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002 (the "Supplement"), among the Transferor, the Servicer and the Trustee. The corpus of the Trust
consists of all of the Transferor's right, title and interest in, to and under the Trust Property. The Certificateholder is entitled to payments from time to time as provided in the Pooling and Servicing Agreement.

The holder of this Certificate on any Business Day is entitled to payment in an amount equal to its pro rata share (as provided in the Pooling and Servicing Agreement) of (a) the Class B Initial Invested Amount PLUS (b) an amount equal to the aggregate principal amount of any VFC Additional Class B Invested Amount purchased by the Class B Certificateholders through the preceding Business Day pursuant to Section 6.15 of the Pooling Agreement MINUS (c) the aggregate amount of principal payments made B Certificateholders prior to such Business Day.

This Certificate does not purport to summarize the Pooling and Servicing Agreement and reference is made to the Pooling and Servicing Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. A copy of the Pooling and Servicing Agreement may be requested from the Trustee by writing to the Trustee at 4 New York Plaza, 6th Floor, New York, New York 10004-2413, Attention: Structured Finance Administration. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Pooling and Servicing Agreement. This Certificate is one of a series of Certificates entitled "Prime Credit Card Master Trust II Class B Variable Funding Certificates, Series 2002-1" (the "Class B Variable Funding Certificates"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Pooling and Servicing Agreement, to which Pooling and Servicing Agreement, as amended from time to time, the Certificateholder by virtue of the acceptance hereof assents and by which the Certificateholder is bound.

The Series 2002-1 Certificates are issued in three classes, the Class A Variable Funding Certificates, the Class B Variable Funding Certificates (of which this certificate is one), which are subordinated to the Class A Variable Funding Certificates in certain rights of payment as described in the Agreement and the Class C Certificates, which are subordinated to the Class A Variable Funding Certificates and Class B Variable Funding Certificates in certain rights of payment as described in the Agreement.

A portion of the aggregate Receivables in the Trust as determined pursuant to the Pooling and Servicing Agreement will be treated as Finance Charge Receivables. Such amount may be adjusted from time to time pursuant to the Supplement. The remainder of such Receivables will be treated as Principal Receivables.

Each holder of a Class B Variable Funding Certificate (a "Class B Certificateholder") or any interest therein by acceptance of its Certificate or any interest therein, agrees to treat the Class B Variable Funding Certificates for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness of the Transferor to the extent permitted by law.

The Trust's assets are allocated in part to the holders of the Investor Certificates (the "Investor Certificateholders") with the remainder allocated to holders of

other Series of Certificates issued by the Trust, if any, and to the Transferor. In addition to the Investor Certificates, an Exchangeable Transferor Certificate will be issued pursuant to the Pooling and Servicing Agreement and will represent the Transferor's Interest in the Trust. The Exchangeable Transferor Certificate will represent the interest in the Receivables not Certificates or any other Series of Certificates. Certificate may be exchanged by the Transferor Servicing Agreement for one or more Series of Exchangeable Transferor Certificate upon the Pooling and Servicing Agreement. In addition, to the extent permitted for any Series of Certificates by the related Supplement, the Certificateholders of such Series may tender their Certificates and the Transferor may tender the Exchangeable Transferor Certificate in exchange for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate.

The aggregate interest in the Trust represented by the Investor Certificates at any time shall not exceed an amount equal to the Invested Amount at such time. The Initial Invested Amount is $_____. The aggregate interest in the Trust represented by the Class B Variable Funding Certificates at any time shall not exceed an amount equal to the Class B Invested Amount at such time. The Class B Initial Invested Amount is $_____.

Interest will accrue on the unpaid principal amount of the Class B Variable Funding Certificates at a per annum rate equal to the Class B Certificate Rate and will be calculated on each Business Day based on the product of the Class B Certificate Rate and the outstanding principal balance of the Class B Variable Funding Certificates on such Business Day.

If on any Determination Date the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period exceeded the aggregate amount of Finance Charge Collections applied to the payment thereof and the Available Reserve Amount, and the amount of Excess Finance Charge Collections and Reallocated Class C Principal Collections allocated pursuant thereto, then a portion of the Class C Invested Amount will be reduced by an amount equal to such insufficiency (but not in excess of the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount for such Monthly Period) to avoid a charge-off with respect to the Class A Variable Funding Certificates or Class B Variable Funding Certificates. If the Class C Invested Amount is reduced to zero, then a portion of the Class B Invested Amount will be reduced by an amount by which the Class C Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period). If the Class B Invested Amount is reduced to zero, then a portion of the Class A Invested Amount will be reduced by an amount by which the Class B Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period).

The Servicer, is entitled to receive as servicing compensation a servicing fee in an amount equal to, with respect to each Series, the product of (i) a fraction, the numerator of which is the actual number of days in the measuring period specified in the applicable Series Supplement and the denominator of which is the actual number of days in the year, (ii) the applicable Series Servicing Fee Percentage and (iii) the Adjusted Invested Amount as of the end of the date of determination for such payment as specified in the applicable Series Supplement. The share of the Servicing Fee allocable to the Investor Certificates for any Business Day is

equal to the product of (i) a fraction, the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is the actual number of days in a year, (ii) 2.0% per annum and (iii) the Invested Amount as of the end of the preceding Business Day (the "Servicing Fee"). The Servicing Fee will be paid in the manner set forth in the Pooling and Servicing Agreement. The remainder of the servicing compensation will be allocable to the Transferor Amount and the Certificateholders of all other Series, and the Trustee and the Investor Certificateholders will not have any obligation to pay such portion of the servicing compensation.

As described in the Pooling and Servicing Agreement, Principal Collections with respect to any Business Day will be allocated on the basis of the aggregate Investor Percentage of all Series and the Transferor Percentage with respect to the Principal Collections.

Subject to the Pooling and Servicing Agreement and the Supplement, payments of principal are limited to the unpaid Class B Invested Amount of the Class B Variable Funding Certificates, which may be less than the unpaid balance of the Class B Variable Funding Certificates pursuant to the terms of the Pooling and Servicing Agreement and the Supplement. All principal of and interest on the Class B Variable Funding Certificates is due and payable no later than November 3, 2007, unless a different date shall be set forth in an Extension Notice (the "Series Termination Date"). After the Series Termination Date, neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class B Variable Funding Certificates. In the event that the Class B Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of Principal Receivables and the related Finance Charge Receivables (or, in some cases, interests therein) up to 110% of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Certificates determined pursuant to the Pooling and Servicing Agreement), and shall pay the proceeds to the Class A Certificateholders pro rata in final payment of the Class A Variable Funding Certificates, then to the Class B Variable Funding Certificateholders pro rata in final payment of the Class B Variable Funding Certificates and then to the Class C Certificateholders pro rata in final payment of the Class C Certificates.

The transfer of this Certificate shall be registered in the Certificate Register upon surrender of this Certificate for registration of transfer at any office or agency maintained by the Transfer Agent and Registrar accompanied by a written instrument of transfer in a form satisfactory to the Trustee and the Transfer Agent and Registrar duly executed by the Certificateholder or such Certificateholder's attorney-in-fact duly authorized in writing, and thereupon one or more new Class B Variable Funding Certificates of authorized denominations and for the same aggregate fractional Undivided Interests will be issued to the designated transferee or transferees.

As provided in the Pooling and Servicing Agreement and certain limitations therein and herein set forth, Class B Variable Funding Certificates are exchangeable for new Class B Variable Funding Certificates evidencing like aggregate fractional undivided interests, as requested by the Class B Certificateholder surrendering such Class B Variable Funding Certificates. No service charge may be imposed for any such exchange but the Transfer Agent

and Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Trustee, the Paying Agent and the Transfer Agent and Registrar, and any agent of any of them, may treat the person in whose name this Certificate is registered as the owner hereof for all purposes, and neither the Trustee, the Paying Agent and the Transfer Agent and Registrar, nor any agent of any of them or of any such agent shall be affected by notice to the contrary except in certain circumstances described in the Pooling and Servicing Agreement.

The Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class B Certificateholders, to cure any ambiguity, to

revise any exhibits or schedules (other than Schedule 1) of the Pooling and Servicing Agreement, to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or to add any other provisions with respect to matters or questions raised under the Pooling and Servicing Agreement or the Supplement which shall not be inconsistent with the provisions of the Pooling and Servicing Agreement or the Supplement; PROVIDED, HOWEVER, that such action shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any of the Investor Certificateholders. Additionally, the Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class B Certificateholders, to add to or change any of the provisions of the Pooling and Servicing Agreement (i) to provide that Bearer Certificates may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of (or premium, if any) or any interest on Bearer Certificates to comply with the Bearer Rules, to permit Bearer Certificates to be issued in exchange for Registered Certificates (if then permitted by the Bearer Rules), to permit Bearer Certificates to be issued in exchange for Bearer Certificates of other authorized denominations or to permit the issuance of Certificates in uncertificated form or (ii) to restrict or eliminate in any way the Transferor's right to designate Removed Accounts and to remove from the Trust all of the Trust's right, title and interest in, to and under the Receivables in such Removed Accounts pursuant to Section 2 of the Pooling and Servicing Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's rights, duties or immunities under the Pooling and Servicing Agreement or otherwise.

The Pooling and Servicing Agreement (and any schedule or exhibit thereto) and the Supplement (and any schedule or exhibit thereto) may also be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class B Certificateholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or the Supplement, or of modifying in any manner the rights of the Holders of the Class B Variable Funding Certificates; provided that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the Certificateholders, (ii) such amendment shall not, as evidenced by an Opinion of Counsel, cause the Trust to be characterized for U.S. federal income tax purposes as an association taxable as a corporation or otherwise have any material adverse impact on the U.S. federal income taxation of the Class B Variable Funding Certificates or the Class B Certificateholders and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each

Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the then current rating of any Series or any Class of any Series will not be reduced or withdrawn as a result of such amendment; PROVIDED, FURTHER, that such amendment shall not reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Class B Variable Funding Certificate without the consent of the related Class B Certificateholder, change the definition of or the manner of calculating the interest of any Investor Certificateholder of such Series without the consent of the related Investor Certificateholder or reduce the percentage pursuant to the next succeeding paragraph required to consent to any such amendment, in each case without the consent of all such Class B Certificateholders.

The Pooling and Servicing Agreement and the Supplement may also be amended from time to time by the Servicer, the Transferor and the Trustee with the consent of the Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 66-2/3% of the Invested Amount of each and every Series adversely affected, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or of modifying in any manner the rights of the Investor Certificateholders of any Series then issued and outstanding; PROVIDED, HOWEVER, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Investor Certificate of any Series without the consent of the related Investor Certificateholders; (ii) change the definition of or the manner of calculating the interest of any Investor Certificateholder of any Series without the consent of the related Investor Certificateholder or (iii) reduce the aforesaid percentage required to consent to any such amendment, in each case without the

consent of all such Investor Certificateholders; PROVIDED, FURTHER, that for the purposes of the Officer's Certificate referred to in clause (i) above, any action taken in order to enable the Trust or a portion thereof to elect to qualify as a FASIT (or comparable tax entity for the securitization of financial assets) in accordance with the Internal Revenue Code of 1986, as amended, shall be deemed not to materially and adversely affect the interest of the Certificateholders.

THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Pooling and Servicing Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Certificate to be duly executed under its official seal.

PRIME II RECEIVABLES CORPORATION

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Variable Funding Certificates referred to in the within-mentioned Pooling and Servicing Agreement.

JPMorgan Chase Bank,
as Trustee

By:

Authorized Signatory

EXHIBIT A-3

[FORM OF CLASS C CERTIFICATE]

THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE UPON EXEMPTIONS PROVIDED BY THE SECURITIES ACT. NO RESALE OR OTHER TRANSFER OF THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE AND APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS. NEITHER THE THE TRUSTEE IS OBLIGATED TO REGISTER THE CERTIFICATES UNDER THE OR ANY OTHER SECURITIES OR "BLUE SKY" LAW.

EACH HOLDER OF THIS CERTIFICATE OR AN INTEREST THEREIN, BY ACCEPTING AND HOLDING THIS CERTIFICATE, IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT IT IS NOT (I) AN EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR (III) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY.

No.	% Percentage Interest
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PRIME CREDIT CARD MASTER TRUST
II CLASS C CERTIFICATE,
SERIES 2002-1

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts generated or to be generated by FDS BANK ("FDSB") and other assets and interests constituting the

Trust under the Pooling and Servicing Agreement described below.

(Not an interest in or a recourse obligation of Prime II Receivables Corporation, FDSB or any affiliate of either of them.)

This certifies that (the "Certificateholder") is the registered owner of a fractional undivided interest in the Prime Credit Card Master Trust II (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of January 22, 1997 (the "Pooling and Servicing Agreement," such term to include any amendment or Supplement thereto) by and among Prime II Receivables Corporation, as Transferor (the "Transferor"), FDSB, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as Trustee (the "Trustee"), and the Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002 (the "Supplement"), among the Transferor, the Servicer and the Trustee. The corpus of the Trust

consists of all of the Transferor's right, title and interest in, to and under the Trust Property. The Certificateholder is entitled to payments from time to time as provided in the Pooling and Servicing Agreement.

The holder of this Certificate on any Business Day is entitled to payment in an amount equal to its pro rata share (as provided in the Pooling and Servicing Agreement) of (a) the Class C Initial Invested Amount PLUS (b) an amount equal to the aggregate principal amount of any VFC Additional Class C Invested Amount purchased by the Class C Certificateholders through the end of the preceding Business Day pursuant to Section 6.15 of the Pooling and Servicing Agreement MINUS (c) the aggregate amount of principal payments to the Class C Certificateholders prior to such Business Day.

This Certificate does not purport to summarize the Pooling and Servicing Agreement and reference is made to the Pooling and Servicing Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. A copy of the Pooling and Servicing Agreement may be requested from the Trustee by writing to the Trustee at 4 New York Plaza, 6th Floor, New York, New York 10004-2413, Attention: Structured Finance Administration. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Pooling and Servicing Agreement. This Certificate is one of a series of Certificates entitled "Prime Credit Card Master Trust II Class C Certificates, Series 2002-1" (the "Class C Certificates"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Pooling and Servicing Agreement, to which Pooling and Servicing Agreement, as amended from time to time, the Certificateholder by virtue of the acceptance hereof assents and by which the Certificateholder is bound.

The Series 2002-1 Certificates are issued in three classes, the Class A Variable Funding Certificates, the Class B Variable Funding Certificates, which are subordinated to the Class A Variable Funding Certificates in certain rights of payment as described in the Agreement and the Class C Certificates (of which this certificate is one), which are subordinated to the Class A Variable Funding Certificates and Class B Variable Funding Certificates in certain rights of payment as described in the Agreement.

A portion of the aggregate Receivables in the Trust as determined pursuant to the Pooling and Servicing Agreement will be treated as Finance Charge Receivables. Such amount may be adjusted from time to time pursuant to the Supplement. The remainder of such Receivables will be treated as Principal Receivables.

Each holder of a Class C Certificate (a "Class C Certificateholder") or any interest therein by acceptance of its Certificate or any interest therein, agrees to treat the Class C Certificates for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness of the Transferor to the extent permitted by law.

The Trust's assets are allocated in part to the holders of the Investor Certificates (the "Investor Certificateholders") with the remainder allocated to holders of other Series of

Certificates issued by the Trust, if any, and to the Transferor. In addition to

the Investor Certificates, an Exchangeable Transferor Certificate will be issued pursuant to the Pooling and Servicing Agreement and will represent the Transferor's Interest in the Trust. The Exchangeable Transferor Certificate will represent the interest in the Receivables not Certificates or any other Series of Certificates. Certificate may be exchanged by the Transferor Servicing Agreement for one or more Series of Exchangeable Transferor Certificate upon the Pooling and Servicing Agreement. In addition, to the extent permitted for any Series of Certificates by the related Supplement, the Certificateholders of such Series may tender their Certificates and the Transferor may tender the Exchangeable Transferor Certificate in exchange for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate.

The aggregate interest in the Trust represented by the Investor Certificates at any time shall not exceed an amount equal to the Invested Amount at such time. The Initial Invested Amount is $_____. The aggregate interest in the Trust represented by the Class C Certificates at any time shall not exceed an amount equal to the Class C Invested Amount at such time. The Class C Initial Invested Amount is $_____.

Interest will accrue on the unpaid principal amount of the Class C Certificates at a per annum rate equal to the Class C Certificate Rate and will be calculated on each Business Day based on the product of the Class C Certificate Rate and the outstanding principal balance of the Class C Certificates on such Business Day.

If on any Determination Date the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount, if any, for each Business Day in the preceding Monthly Period exceeded the aggregate amount of Finance Charge Collections applied to the payment thereof and the Available Reserve Amount, and the amount of Excess Finance Charge Collections and Reallocated Class C Principal Collections allocated pursuant thereto, then a portion of the Class C Invested Amount will be reduced by an amount equal to such insufficiency (but not in excess of the sum of (i) aggregate Investor Default Amount and (ii) the aggregate Investor Uncovered Dilution Amount for such Monthly Period) to avoid a charge-off with respect to the Class A Variable Funding Certificates or Class B Variable Funding Certificates. If the Class C Invested Amount is reduced to zero, then a portion of the Class B Invested Amount will be reduced by an amount by which the Class C Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period). If the Class B Invested Amount is reduced to zero, then a portion of the Class A Invested Amount will be reduced by an amount by which the Class B Invested Amount would have been reduced below zero (but not in excess of aggregate Investor Default Amount for such Monthly Period).

The Servicer, is entitled to receive as servicing compensation a servicing fee in an amount equal to, with respect to each Series, the product of (i) a fraction, the numerator of which is the actual number of days in the measuring period specified in the applicable Series Supplement and the denominator of which is the actual number of days in the year, (ii) the applicable Series Servicing Fee Percentage and (iii) the Adjusted Invested Amount as of the end of the date of determination for such payment as specified in the applicable Series Supplement. The share of the Servicing Fee allocable to the Investor Certificates for any Business Day is equal to the product of (i) a fraction, the numerator of which is the actual number of days from

and including the preceding Business Day to but excluding such Business Day and the denominator of which is the actual number of days in a year, (ii) 2.0% per annum and (iii) the Invested Amount as of the end of the preceding Business Day (the "Servicing Fee"). The Servicing Fee will be paid in the manner set forth in the Pooling and Servicing Agreement. The remainder of the servicing compensation will be allocable to the Transferor Amount and the Certificateholders of all other Series, and the Trustee and the Investor Certificateholders will not have any obligation to pay such portion of the servicing compensation.

As described in the Pooling and Servicing Agreement, Principal Collections with respect to any Business Day will be allocated on the basis of the aggregate Investor Percentage of all Series and the Transferor Percentage with respect to the Principal Collections.

Subject to the Pooling and Servicing Agreement and the Supplement, payments of principal are limited to the unpaid Class C Invested Amount of the Class C Certificates, which may be less than the unpaid balance of the Class C

Certificates pursuant to the terms of the Pooling and Servicing Agreement and the Supplement. All principal of and interest on the Class C Certificates is due and payable no later than November 3, 2007, unless a different date shall be set forth in an Extension Notice (the "Series Termination Date"). After the Series Termination Date, neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class C Certificates. In the event that the Class C Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of Principal Receivables and the related Finance Charge Receivables (or, in some cases, interests therein) up to 110% of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Certificates determined pursuant to the Pooling and Servicing Agreement), and shall pay the proceeds to the Class A Certificateholders pro rata in final payment of the Class A Variable Funding Certificates, then to the Class B Variable Funding Certificateholders pro rata in final payment of the Class B Variable Funding Certificates and then to the Class C Certificateholders pro rata in final payment of the Class C Certificates.

The transfer of this Certificate shall be registered in the Certificate Register upon surrender of this Certificate for registration of transfer at any office or agency maintained by the Transfer Agent and Registrar accompanied by a written instrument of transfer in a form satisfactory to the Trustee and the Transfer Agent and Registrar duly executed by the Certificateholder or such Certificateholder's attorney-in-fact duly authorized in writing, one or more new Class C Certificates of authorized denominations same aggregate fractional Undivided Interests will be issued to transferee or transferees.

As provided in the Pooling and Servicing Agreement and certain limitations therein and herein set forth, Class C Certificates are exchangeable for new Class C Certificates evidencing like aggregate fractional undivided interests, as requested by the Class C Certificateholder surrendering such Class C Certificates. No service charge may be imposed for any such exchange but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Trustee, the Paying Agent and the Transfer Agent and Registrar, and any agent of any of them, may treat the person in whose name this Certificate is registered as the owner hereof for all purposes, and neither the Trustee, the Paying Agent and the Transfer Agent and Registrar, nor any agent of any of them or of any such agent shall be affected by notice to the contrary except in certain circumstances described in the Pooling and Servicing Agreement.

The Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class C Certificateholders, to cure any ambiguity, to revise any exhibits or schedules (other than Schedule 1) of the Pooling and Servicing Agreement, to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or to add any other provisions with respect to matters or questions raised under the Pooling and Servicing Agreement or the Supplement which shall not be inconsistent with the provisions of the Pooling and Servicing Agreement or the Supplement; PROVIDED, HOWEVER, that such action shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any of the Investor Certificateholders. Additionally, the Pooling and Servicing Agreement and the Supplement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class C Certificateholders, to add to or change any of the provisions of the Pooling and Servicing Agreement (i) to provide that Bearer Certificates may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of (or premium, if any) or any interest on Bearer Certificates to comply with the Bearer Rules, to permit Bearer Certificates to be issued in exchange for Registered Certificates (if then permitted by the Bearer Rules), to permit Bearer Certificates to be issued in exchange for Bearer Certificates of other authorized denominations or to permit the issuance of Certificates in uncertificated form or (ii) to restrict or eliminate in any way the Transferor's right to designate Removed Accounts and to remove from the Trust all of the Trust's right, title and interest in, to and under the Receivables in such Removed Accounts pursuant to Section 2 of the Pooling and Servicing Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment

which affects the Trustee's rights, duties or immunities under the Pooling and Servicing Agreement or otherwise.

The Pooling and Servicing Agreement (and any schedule or exhibit thereto) and the Supplement (and any schedule or exhibit thereto) may also be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Class C Certificateholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or the Supplement, or of modifying in any manner the rights of the Holders of the Class C Certificates; provided that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the Certificateholders, (ii) such amendment shall not, as evidenced by an Opinion of Counsel, cause the Trust to be characterized for U.S. federal income tax purposes as an association taxable as a corporation or otherwise have any material adverse impact on the U.S. federal income taxation of the Class C Certificates or the Class C Certificateholders and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the then current rating of any Series or any Class of any Series will not be reduced or withdrawn as a result of such amendment; PROVIDED, FURTHER, that such amendment shall not reduce in any manner the

amount of, or delay the timing of, distributions which are required to be made on any Class C Certificate without the consent of the related Class C Certificateholder, change the definition of or the manner of calculating the interest of any Investor Certificateholder of such Series without the consent of the related Investor Certificateholder or reduce the percentage pursuant to the next succeeding paragraph required to consent to any such amendment, in each case without the consent of all such Class C Certificateholders.

The Pooling and Servicing Agreement and the Supplement may also be amended from time to time by the Servicer, the Transferor and the Trustee with the consent of the Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 66-2/3% of the Invested Amount of each and every Series adversely affected, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement or of modifying in any manner the rights of the Investor Certificateholders of any Series then issued and outstanding; PROVIDED, HOWEVER, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Investor Certificate of any Series without the consent of the related Investor Certificateholders; (ii) change the definition of or the manner of calculating the interest of any Investor Certificateholder of any Series without the consent of the related Investor Certificateholder or (iii) reduce the aforesaid percentage required to consent to any such amendment, in each case without the consent of all such Investor Certificateholders; PROVIDED, FURTHER, that for the purposes of the Officer's Certificate referred to in clause (i) above, any action taken in order to enable the Trust or a portion thereof to elect to qualify as a FASIT (or comparable tax entity for the securitization of financial assets) in accordance with the Internal Revenue Code of 1986, as amended, shall be deemed not to materially and adversely affect the interest of the Certificateholders.

THIS CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Pooling and Servicing Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Certificate to be duly executed under its official seal.

PRIME II RECEIVABLES CORPORATION

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Class C Certificates referred to in the within-mentioned Pooling and Servicing Agreement.

JPMORGAN CHASE BANK,
as Trustee

By:

Authorized Signatory

EXHIBIT B

FORM OF EXTENSION NOTICE

PRIME CREDIT CARD MASTER TRUST II, SERIES 2002-1

The undersigned, a duly authorized representative of Prime II Receivables Corporation, a Delaware corporation the "Transferor"), as Transferor pursuant to the Pooling and Servicing Agreement dated as of January 22, 1997 (the "Pooling and Servicing Agreement"), by and between the Transferor, as transferor, FDS BANK, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as trustee (the "Trustee"), as supplemented by the Series 2002-1 Supplement, dated November 6, 2002 (the "Series 2002-1 Supplement"), by and between the Transferor, the Servicer and the Trustee, (the Pooling and Servicing Agreement, as supplemented by the Series 2002-1 Supplement, or as the Pooling and Servicing Agreement may from time to time be amended, supplemented, or modified, the "Agreement"), does hereby notify the Trustee (or any successor Trustee) and the Investor Certificateholders:

A. Capitalized terms used but not defined in this Certificate shall have the respective meanings set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections and subsections of the Agreement.

B. The undersigned is a Treasurer, Vice President or more senior officer of the Transferor who is duly authorized to execute and deliver this Certificate on behalf of the Transferor.

C. This Certificate is being delivered pursuant to Section 6.16(a) of the Agreement.

D. The Transferor is the Transferor under the Agreement.

E. No Pay Out Event has occurred that has not been remedied pursuant to the provisions of the Agreement.

F. The Certificate is being delivered to the Trustee on or before the date specified in subsection 6.16(a) for such delivery.

G. NOTIFICATION OF EXTENSION.

Pursuant to subsection 6.16(a) and in respect of [,] (the "Current Extension Date"), the Transferor hereby notifies the Trustee and the Investor Certificateholders of the Transferor's intention to extend the Revolving Period in respect of Series 2002-1 on the Current Extension Date pursuant to the provisions of Section 6.16, until the date set forth below (such extension, the "Extension").

H. REQUIREMENTS TO COMPLETE EXTENSION

(1) Annexed hereto is an election notice (an "Election Notice") to be returned by any Investor Certificateholder electing to approve the Extension. No Extension shall occur unless Investor Certificateholders holding at least the aggregate principal amount of Class A Certificates and Class B Certificates set forth below, respectively, shall return properly executed Election Notices approving the Extension by the Election Date (as defined below). Any Investor Certificateholder electing to approve the Extension must deliver a properly executed Election Notice at the office of the Trustee,

[address] on or before 3:00 p.m., [New York City] time, on [,] (the "Election Date"). Any Investor Certificateholder may withdraw any Election Notice delivered by it to the Trustee by notifying the Trustee in writing at the address set forth in the previous sentence on or prior to the Election Date.

(2) The minimum principal amount of Class A Certificates that must approve of the Extension before such Extension may occur shall equal $.

(3) The minimum principal amount of Class B Certificates that must approve of the Extension before such Extension may occur shall equal $.

(4) THE EXTENSION SHALL NOT OCCUR UNTIL PRIOR SATISFACTION OF CERTAIN CONDITIONS PRECEDENT BY THE CLOSE OF BUSINESS ON THE ELECTION DATE, INCLUDING THE APPROVAL OF SUCH EXTENSION BY THE INVESTOR CERTIFICATEHOLDERS HOLDING THE REQUIRED AGGREGATE PRINCIPAL AMOUNT OF CLASS A AND CLASS B CERTIFICATES, THAT NO PAY OUT EVENT SHALL HAVE OCCURRED AND BE CONTINUING, AND THAT CERTAIN LEGAL OPINIONS AND RATING AGENCY CONFIRMATIONS SHALL HAVE BEEN DELIVERED TO THE TRANSFEROR AND THE TRUSTEE PURSUANT TO SECTION 6.16(b). THE TRANSFEROR MAY IN ITS SOLE DISCRETION WITHDRAW THIS EXTENSION NOTICE AT ANY TIME ON OR PRIOR TO THE ELECTION DATE BY DELIVERING NOTICE OF SUCH WITHDRAWAL IN WRITING TO THE TRUSTEE. IF ANY SUCH NOTICE OF WITHDRAWAL SHALL BE SO DELIVERED, NO EXTENSION SHALL OCCUR.

I. NEW PROVISIONS TO BECOME EFFECTIVE ON THE EXTENSION DATE.

(1) The new Amortization Period Commencement Date shall be the earlier of (a) [(b) the Pay Out Commencement Date.

(2) The new Extension Date shall be [,].

(3) [The new Scheduled Series 2002-1 Termination Date shall be [,].]

(4) [The following are additional provisions that will apply to the Investor Certificates on and after the Extension Date:

INSERT PROVISIONS]

J. Annexed hereto are the following:

(1) the form of Extension Tax Opinion.

(2) the form of Extension Opinion.

(3) the Election Notice. IN WITNESS WHEREOF, the undersigned has duly-executed this certificate this [ ] day of [,].

PRIME II RECEIVABLES CORPORATION

By:

Name:
Title:

EXHIBIT C

FORM OF INVESTOR CERTIFICATEHOLDER ELECTION NOTICE

Chase Manhattan Bank
West 33rd Street
York, New York 10001
Attention: Structured Finance

JP Morgan Chase Bank
4 New York Plaza, 6th Floor
New York, New York 10004-2413

Re: Prime Credit Card Master Trust II:

Election Notice to Extend Series 2002-1

Ladies and Gentlemen:

The undersigned hereby elects to approve the extension of the Revolving Period for Series 2002-1 until the Amortization Period Commencement Date set forth in the Extension Notice dated [,] (the "Extension Notice") and delivered to the undersigned pursuant Section 6.16(a) of the Pooling and Servicing Agreement, dated as of January 22, 1997 including the Series 2002-1 Supplement thereto, each by and among Prime II Receivables Corporation, as transferor, FDS BANK, successor in interest to FDS National Bank, as Servicer, and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as trustee (the "Pooling and Servicing Agreement"). The undersigned hereby acknowledges that commencing on the Current Extension Date (as defined in the Extension Notice), the terms and provisions of the Pooling and Servicing Agreement shall be modified as set forth in the Extension Notice.

IN WITNESS WHEREOF, the undersigned registered owner(s) has [have] executed this Election Notice as of the date set forth below.

Dated: Name (s):

Address:

(Please Print)

Signature (s):

EXHIBIT D

FORM OF INVESTMENT LETTER
(Class C Certificates, Series 2002-1)

[Date]

Re: Prime Credit Card Master Trust II
Class C Certificates, Series 2002-1

Ladies and Gentlemen:

This letter (the "Investment Letter") is delivered by the undersigned (the "Purchaser") pursuant to Section 6.17 of the Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002 (the "Supplement"), among Prime II Receivables Corporation, as Transferor (the "Transferor"), FDS BANK, successor in interest to FDS National Bank, as Servicer (the "Servicer"), and JPMorgan Chase Bank, successor in interest to The Chase Manhattan Bank, as Trustee (the "Trustee"), which supplements the Pooling and Servicing Agreement, dated as of January 22, 1997, among the Transferor, the Servicer and the Trustee, in connection with the Purchaser's acquisition of Class C Certificates or an interest therein. Capitalized terms used herein without definition shall have the meanings set forth in the Supplement. The Purchaser represents to and agrees with the Transferor and the Trustee as follows:

(a) The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Series C Certificates and is able to bear the economic risk of such investment. The Purchaser has independently and based on such documents and information as it has deemed appropriate, made is own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer and made its own decision to purchase its interest in the Series C Certificates, and will, independently and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis, appraisals and decisions in taking or not taking action under the Supplement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Trust, the Transferor and the Servicer.

(b) The Purchaser is an "accredited investor", as defined in Rule 501, promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), or is a sophisticated institutional investor. The Purchaser understands that the offering and sale of the Series C Certificates has not been and will not be

registered under the Securities Act and has not and will not be registered or qualified under any applicable "Blue Sky" law, and that the offering and sale of the Series C Certificates has not been reviewed by, passed on or submitted to any federal or state agency or commission, securities exchange or other regulatory body.

(c) The Purchaser is acquiring an interest in Series C Certificates without a view to any distribution, resale or other transfer thereof except, with respect to any Series C Certificates or any interest or participation therein, as contemplated in the following sentence. The Purchaser will not resell or otherwise transfer any interest or participation in the Series C Certificates, except in accordance with Section 6.17 of the Supplement and (i) in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and applicable state securities or "blue sky" laws; (ii) to the Transferor or any affiliate of the Transferor; or (iii) to a person who the Purchaser reasonably believes is a qualified institutional buyer (within the meaning thereof in Rule 144A under the Securities Act) that is aware that the resale or other transfer is being made in reliance upon Rule 144A. In connection therewith, the Purchaser hereby agrees that it will not resell or otherwise transfer the Series C Certificates or any interest therein unless the purchaser thereof provides to the addressee hereof a letter substantially in the form hereof.

(d) The Purchaser hereby certifies to the Transferor, the Servicer and the Trustee that it has neither acquired nor will it sell, trade or transfer any interest in a Class C Certificate or cause an interest in a Class C Certificate to be marketed on or through an "established securities market" within the meaning of Section final treasury an system that The Purchaser long as it holds a partnership Subchapter S corporation or grantor trust for U.S. federal income tax purposes. The Purchaser acknowledges that the Opinion of Counsel to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation is dependent in part on the accuracy of the certifications described in this paragraph 7704(b)(1) of the Code and any proposed, temporary or regulation thereunder, including, without limitation, over-the-counter market or an interdealer quotation regularly disseminates firm buy or sell quotations. hereby further certifies that it is not and, for so any interest in a Class C Certificate, will not become a partnership, Subchapter S corporation or grantor trust for U.S. federal income tax purposes. The Purchaser acknowledges that the Opinion of Counsel to the effect that the Trust will not be treated as a publicly traded partnership taxable as a corporation is dependent in part on the accuracy of the certifications described in this paragraph.

(e) Pursuant to subsection 6.17(c) of the Supplement, the Purchaser hereby agrees not to institute against, or join any other Person in instituting against, or join any other Person in instituting against, the Trust or the Transferor any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after all Investor Certificates are paid in full.

(f) This Investment Letter has been duly executed and delivered and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally and general principles of equity.

Very truly yours,
[NAME OF PURCHASER]

By:

Name:
Title:

ACKNOWLEDGED AS OF THE DATE FIRST ABOVE WRITTEN:

PRIME II RECEIVABLES
CORPORATION

By:

Name:
Title:

EXHIBIT E

PRIME CREDIT CARD MASTER TRUST II
FORM OF MONTHLY CERTIFICATEHOLDERS' STATEMENT

[Attached hereto]

Exhibit 10.44.2

AMENDED
EXHIBIT A

to

EMPLOYMENT AGREEMENT

Entered into as of August 27, 1999 between

FEDERATED CORPORATE SERVICES, INC.

And

JAMES M. ZIMMERMAN

(AMENDMENT AS OF FEBRUARY 26, 2003)

(All capitalized terms used in this Exhibit are defined as set forth in Agreement)

The Employment Agreement, as previously amended, remains in effect in all respects except as amended as provided below.

ANNUAL BONUS: In respect of fiscal 2003, the annual bonus payable (if any) under the terms of the 1992 Incentive Bonus Plan (as such may be amended from time to time) of Federated Department Stores, Inc. (Federated) will be based on performance goals established for the senior executives of the Employer on an annual basis by the Board of Directors of Federated or a Committee thereof, with the amount of bonus equal to a sliding percent of Employee's annual base salary in effect as of the last day of the performance period based on performance against the targeted annual goals, as follows:

<TABLE>

Performance Against Target	Payout as Percent Of Annual Salary
<S>	<C>
(a) CORPORATE EBIT $	
Below the percent of Target approved by the Section 162(m) Subcommittee of the Board of Directors of Federated (the "Subcommittee)	0.0%
At the percent of Target approved by the Subcommittee	As approved by the Subcommittee
Target	90.0%
Above Target	90% plus 13.0% per 1% of EBIT over Target
(b) CORPORATE SALES $	
Below Target	0.0%

</TABLE>

Target	30.0%
101% of Target	60.0%

(c) CORPORATE CASH FLOW

More than $50 million below Target	0.0%
$50 million below Target	12.0%
$25 million below Target	18.0%
Target	30.0%
$150 million over Target	60.0%

</TABLE>

The percent of base salary payable as the annual bonus is the aggregate of the above designated payout based on performance achieved under each of the performance components described in (a), (b) and (c), above.

Any annual bonus payable hereunder shall be paid in the fiscal year following the annual performance period in respect of which the bonus is payable in accordance with Federated's 1992 Incentive Bonus Plan (as such may be amended from time to time).

By operation of Federated's Supplementary Executive Retirement Plan, annual bonuses paid to Employee under Federated's 1992 Incentive Bonus Plan are included as eligible compensation under Federated's Pension Plan.

TERM AND DUTIES: Notwithstanding anything in the Agreement to the contrary, effective February 26, 2003, Employee shall cease to serve as Chief Executive Officer of Federated and shall continue to perform the duties of Chairman of the Board of Federated until the expiration of the Term on February 1, 2004. The duties of Employee shall be commensurate with the office of Chairman of Federated.

GOOD REASON TERMINATION: Section 1.9(c) of the Agreement is amended to provide that the failure of the Employee to be elected or reelected Chairman of Federated or to be elected or reelected to membership on Federated's Board of Directors shall, among the other circumstances set out in Section 1.9, constitute "good reason" entitling Employee to terminate his employment pursuant to, and obtain the entitlements set out in, Section 1.7 of the Agreement.

JAMES M. ZIMMERMAN FEDERATED CORPORATE SERVICES, INC.

/s/ James M. Zimmerman /s/ Dennis J. Broderick
- ---------- ----------

DENNIS J. BRODERICK
PRESIDENT

Exhibit 10.45

EMPLOYMENT AGREEMENT

dated as of

March 1, 2003

between

FEDERATED CORPORATE SERVICES, INC.

and

TERRY J. LUNDGREN

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, as of the 1st day of March 2003, between FEDERATED CORPORATE SERVICES, INC., a Delaware corporation (hereinafter called the "Employer"), and TERRY J. LUNDGREN (hereinafter called the "Employee").

In consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT

1.1 TERM AND DUTIES. The Employer shall employ the Employee, and the Employee shall serve the Employer, as an executive for the period (the "Term") beginning on the date of this Agreement and ending on the later of (a) the date set forth on Exhibit A hereto and (b) any later date to which the Term may have been extended by agreement of the parties. During the Term the Employee shall faithfully and in conformity with the directions of the Board of Directors of the Employer (the "Board") or its delegate perform the duties of his employment and shall devote to the performance of such duties his full time and attention. During the Term the Employee shall serve in the office or offices of the Employer to which the Board may from time to time elect or appoint him. The Employee shall be excused from performing any services hereunder during periods of temporary incapacity and during vacations in accordance with the Employer's disability and vacation policies.

1.2 COMPENSATION. In consideration of his services during the Term, the Employer shall pay the Employee cash compensation at an annual rate not less than the greater of his current base salary as set forth on Exhibit A hereto or the base salary of the Employee

most recently approved by the Board or its delegate ("Base Compensation"). Employee's Base Compensation shall be subject to such increases as may be approved by the Board or its delegate.

1.3 PAYMENT SCHEDULE. The Base Compensation specified in Section 1.2(a) hereof shall be payable as current salary, in installments not less frequently than monthly, and at the same rate for any fraction of a month unexpired at the end of the Term.

1.4 EXPENSES. During the Term the Employee shall be allowed reasonable traveling expenses and shall be furnished office space, assistance and accommodations suitable to the character of his position with the Employer and adequate for the performance of his duties hereunder.

1.5 TERMINATION IN CASE OF DISABILITY. The Employee shall not be in breach of this Agreement if he shall fail to perform his duties hereunder

because of physical or mental disability. If for a continuous period of 12 months during the Term the Employee fails to render services to the Employer because of the Employee's physical or mental disability, the Board or its delegate may end the Term prior to its stated termination date. If there should be any dispute between the parties as to the Employee's physical or mental disability at any time, such question shall be settled by the opinion of an impartial reputable physician agreed upon for the purpose by the parties or their representatives, or failing agreement within 10 days of a written request therefor by either party to the other, then one designated by the then president of the local Academy of Medicine. The written opinion of such physician as to the matter in dispute shall be final and binding on the parties.

1.6 TERMINATION OF SERVICES. If the Employer notifies the Employee that his services will no longer be required during the Term or if the Employee notifies the Employer that circumstances constituting Good Reason have occurred, the Employee shall be entitled (except as otherwise provided in Section 1.5 or Section 1.7 hereof) to continue to receive (i) his Base Compensation for the remainder of the Term on the same periodic basis that he had been receiving Base Compensation prior to such notice and (ii) his target annual bonus for the remainder of the Term under the bonus plan applicable to him as of the date of such notice,

payable (i) in the fiscal year in which such notice is provided, on a monthly basis commencing in the month following the month in which the notice is given and for each month remaining in the Term occurring in that year and in an amount equal to the number derived by dividing the months remaining in the Term and occurring in that year by such annual target bonus and (ii) in any fiscal year while the Term remains following the year in which such notice is given, on a monthly basis for each month remaining in the Term in an amount equal to one-twelfth of such annual target bonus.

1.7 MITIGATION. If the Employee or the Employer receives notice from the other pursuant to Section 1.6 hereof, the Employee (subject to Section 2.4 hereof) shall be free to become actively engaged with another business and shall use his best efforts to find other comparable employment. Upon the payment to the Employee of compensation for employment or other services by any unaffiliated third party, the Employee shall automatically cease to be an employee of the Employer. The Employee shall promptly notify the Employer of any such employment or other services and of the compensation received, to be received or receivable from his subsequent employer or such other party attributable to the Term. All Base Compensation and Target Bonus otherwise payable to the Employee by the Employer under this Agreement during the remainder of the Term shall be reduced to the extent of similar base or bonus compensation received, to be received or receivable from such other employment or other services.

1.8 TERMINATION FOR CAUSE. The Employer may terminate the employment of the Employee and this Agreement and all of its obligations hereunder, except for obligations accrued but unpaid to the effective date of termination, for Cause upon notice given pursuant to this Section. As used in this Agreement, the term "Cause" shall mean:

(a) an intentional act of fraud, embezzlement, theft or any other material violation of law in connection with the Employee's duties or in the course of his employment with the Employer;

(b) intentional wrongful damage to material assets of the Employer;

(c) intentional wrongful disclosure of material confidential information of the Employer;

(d) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty; or

(e) intentional breach of any stated material employment policy of the Employer.

No act, or failure to act, on the part of an Employee shall be deemed "intentional" if it was due primarily to an error in judgment or

negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in or not opposed to the best interest of the Employer. Failure to meet performance standards or objectives of the Employer shall not constitute Cause for purposes hereof.

1.9 THE TERM "GOOD REASON" MEANS:

A. The assignment to the Employee of any duties materially inconsistent with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated in Article I of this Agreement, or any other action by the Employer which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an action not taken in bad faith and which is remedied by the Employer within ten (10) days after receipt of written notice thereof given by the Employee, provided that repeated instances of such action shall be evidence of the bad faith of the Employer;

B. any material failure by the Employer to comply with any of the provisions of this Agreement, other than a failure not occurring in bad faith and which is remedied by the Employer within ten (10) days after receipt of written notice thereof given by the Employee, provided that repeated failures shall be evidence of the bad faith of the Employer;

C. failure of the Employee to be elected or reelected Chief Executive Officer (and the failure of the Employee to be elected or reelected Chairman following the

retirement of James A. Zimmerman) of Federated or to be elected or reelected to membership on the Federated's Board of Directors; or

D. any purported termination by the Employer of the Employee's employment otherwise than as expressly permitted by this Agreement.

ARTICLE II

CERTAIN OBLIGATIONS OF THE EMPLOYEE

2.1 NO PARTICIPATION IN OTHER BUSINESSES. During the Term (except as otherwise expressly provided in Section 1.7 hereof) the Employee shall not, without the consent of the Board or its delegate, become actively associated with or engaged in any business other than that of the Employer or a division or affiliate of the Employer, and he shall do nothing inconsistent with his duties to the Employer.

2.2 TRADE SECRETS AND CONFIDENTIAL INFORMATION. Employee shall not (either during the Term or thereafter) without the consent of the Employer disclose to anyone outside of the Employer, or use in other than the Employer's business, trade secrets or confidential information relating to the Employer's business in any way obtained by him while employed by the Employer.

2.3 NONCOMPETITION. It is recognized by the Employee and the Employer that Employee's duties hereunder will entail the receipt of trade secrets and confidential information, which include not only information concerning the Employer's current operations, procedures, suppliers and other contacts, but also its short-range and long-range plans, and that such trade secrets and confidential information have been developed by the Employer and its affiliates at substantial cost and constitute valuable and unique property of the Employer. Accordingly, the Employee acknowledges that the foregoing makes it reasonably necessary for the protection of the Employer's business interests that the Employee not compete with the Employer or any of its affiliates during the Term and for a reasonable and limited period thereafter. Therefore, during the Term and for a period of one year thereafter, the Employee shall not have an investment of

$100,000 or more in a Competing Business (as hereinafter defined) and shall not render personal services to any such Competing Business in any manner,

including, without limitation, as owner, partner, director, trustee, officer, employee, consultant or advisor thereof. The noncompete provisions of this section shall not be applicable to Employee if he has been notified pursuant to Section 1.6 hereof that his services will no longer be required during the Term or if Employee has been advised that his services will no longer be required after the expiration of the Term.

If the Employee shall breach the covenants contained in this Section 2.3 or in Section 2.2 hereof, the Employer shall have no further obligation to make any payment to the Employee pursuant to this Agreement and may recover from the Employee all such damages as it may be entitled to at law or in equity. In addition, the Employee acknowledges that any such breach is likely to result in immediate and irreparable harm to the Employer for which money damages are likely to be inadequate. Accordingly, the Employee consents to injunctive and other appropriate equitable relief upon the institution of proceedings therefor by the Employer in order to protect the Employer's rights hereunder. Such relief may include, without limitation, an injunction to prevent the Employee from disclosing any trade secrets or confidential information concerning the Employer to any Competing Business, to prevent any Competing Business from receiving from the Employee or using any such trade secrets or confidential information and/or to prevent any such Competing Business from retaining or seeking to retain any other employees of the Employer. Employer agrees, however, that it will not seek injunctive relief for the purposes of preventing Employee from competing with Employer after the expiration of the Term. The provisions of the foregoing sentence shall not apply, however, to injunctions of the type described in the preceding sentence.

(a) As used in this Agreement, the term "affiliate" shall mean, with respect to a particular person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person.

(b) As used in this Agreement, the term "Competing Business" shall mean any business which:

(i) at the time of determination, is substantially similar to the whole or a substantial part of the business conducted by the Employer or any of its divisions or affiliates;

(ii) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of $10,000,000, if such store or any of such stores is or are located in a city or within a radius of 25 miles from the outer limits of a city where the Employer, or any of its division's or affiliates, is operating a store or stores which, during its or their fiscal year preceding the determination, had aggregate net sales, including sales in leased and licensed departments, in excess of $10,000,000; and

(iii) had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions and affiliates, during its fiscal year preceding that in which the Employee made such an investment therein, or first rendered personal services thereto, in excess of $25,000,000.

2.4 CONFLICTS OF INTEREST. The Employee shall not engage in any activity that would violate the Conflict of Interest or Business Ethics Statement signed from time to time by the Employee.

2.5 NON-SOLICITATION. During the Term and for a period of one year hereafter (such period is referred to as the "No Recruit Period"), the Employee will not solicit, either directly or indirectly, any person that he or she knows or should reasonably know to be an employee of Federated Department Stores, Inc. or any of its subsidiaries, divisions or affiliates (collectively referred to in this Agreement as the "Federated Affiliates") (whether any such employees are now or hereafter through the No Recruit Period so employed or engaged) to terminate their employment with any of the Federated Affiliates. The foregoing undertaking is not intended to limit any legal rights or remedies that any of the Federated Affiliates may have under common law with regard to any interference by Employee at any time with the contractual relationship the Federated Affiliates may have with any of their employees.

ARTICLE III

MISCELLANEOUS

3.1 ASSIGNMENT. This Agreement may be assigned by the Employer to any of its affiliates. This Agreement shall not otherwise be assignable by the Employer without the consent of the Employee, except that, if the Employer shall merge or consolidate with, or transfer all or any substantial portion of its assets, including goodwill, to another corporation or other form of business organization, this Agreement shall (or, in the case of any such transfer, may) be assigned to and shall bind and run to the benefit of the successor of the Employer resulting from such merger, consolidation or transfer. The Employee may not assign, pledge or encumber his interest in this Agreement or any part hereof.

3.2 GOVERNING LAW. This Agreement has been executed on behalf of the Employer by an officer of the Employer located in the City of Cincinnati, Ohio. This Agreement and all questions arising in connection herewith shall be governed by the internal substantive laws of the State of Ohio. The Employer and the Employee each consent to the jurisdiction of, and agree that any controversy between them arising out of this Agreement shall be brought in, the United States District Court for the Southern District of Ohio, Western Division; the Court of Common Pleas for Hamilton County, Ohio; or such other court venued within Hamilton County, Ohio as may have subject matter jurisdiction over the controversy.

3.3 SEVERABILITY. If any portion of this Agreement is held to be invalid or unenforceable, such holding shall not affect any other portion of this Agreement.

3.4 ENTIRE AGREEMENT. This Agreement comprises the entire agreement between the parties hereto and as of the date hereof, supersedes, cancels and annuls any and all prior agreements between the parties hereto. This Agreement may not be modified, renewed or extended orally, but only by a written instrument referring to this Agreement and executed by the parties hereto.

3.5 GENDER AND NUMBER. Words in the masculine herein may be interpreted as feminine or neuter, and words in the singular as plural, and vice versa, where the sense requires.

3.6 NOTICES. Any notice or consent required or permitted to be given under this Agreement shall be in writing and shall be effective when given by personal delivery or five business days after being sent by certified U.S. mail, return receipt requested, to the Secretary of Federated Department Stores, Inc. at its principal place of business in the City of Cincinnati or to the Employee at his last known address as shown on the records of the Employer.

3.7 WITHHOLDING TAXES. The Employer may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

3.8 WAIVER AND RELEASE. In consideration of the Employer's entering into this Agreement, and the receipt of other good and valuable consideration, the sufficiency of which is expressly acknowledged, the Employee, for himself and his successors, assigns, heirs, executors and administrators, hereby waives and releases and forever discharges the Employer and its affiliates and their officers, directors, agents, employees, shareholders, successors and assigns from all claims, demands, damages, actions and causes of action whatsoever which he now has on account of any matter, whether known or unknown to him and whether or not previously disclosed to the Employee or the Employer, that relates to or arises out of (a) any existing or former employment agreement (written or oral) entered into between the Employee and the Employer or any of its affiliates (or any amendment or supplement to any such agreement), (b) any agreement providing for a payment or payments or extension of the employment relationship triggered by a merger or sale or other disposition of the stock or assets or restructuring of the Employer or any affiliate of the Employer, or (c) any applicable severance plan.

3.9 ENFORCEMENT OF AGREEMENT. If the Employee incurs legal and other fees and expenses in an effort to establish entitlement to benefits under this Agreement,

regardless of whether the Employee ultimately prevails, the Employer shall reimburse him for such fees and expenses, unless a court of competent jurisdiction determines that the Employee made such effort in bad faith.

Reimbursement of fees and expenses described in the preceding paragraph shall be made monthly during the course of any action upon the written submission of a request for reimbursement together with proof that the fees and expenses were incurred.

IN WITNESS WHEREOF, the parties hereto have hereunto and to a duplicate hereof set their signatures as of the day and year first above written.

FEDERATED CORPORATE SERVICES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick
Title: President

/s/ Terry J. Lundgren

TERRY J. LUNDGREN

EXHIBIT A

TO

EMPLOYMENT AGREEMENT

DATED AS OF MARCH 1, 2003 BETWEEN

TERRY J. LUNDGREN

AND

FEDERATED CORPORATE SERVICES, INC.

NAME: Terry J. Lundgren

END OF TERM: February 28, 2007

ANNUAL BASE COMPENSATION: $1,200,000

ANNUAL BONUS: Commencing in respect of the 2003 fiscal year, the annual bonus payable (if any) under the terms of the 1992 Incentive Bonus Plan (as such may be amended from time to time) of Federated Department Stores, Inc. ("Federated") will be based on performance goals established for the senior executives of the Employer on an annual basis by the Board of Directors of Federated or a Committee thereof, with the amount of bonus equal to a sliding percent of Employee's annual base compensation in effect as of the last day of the performance period based on performance against the targeted annual goals.

Such sliding percent, and the targeted annual goals in respect of fiscal 2003, are set out in Schedule 1 hereto.

STOCK OPTIONS: Federated shall grant, to Employee, effective February 24, 2003 (the "Grant Date"), options for 250,000 shares, with vesting of 62,500 shares on February 24, 2004 (the "Option Vesting Date"), 62,500 shares on the first anniversary of the Option Vesting Date, 62,500 shares on the second anniversary of the Option Vesting Date, and 62,500 shares on the third anniversary of the Option Vesting Date; the options will be issued at one hundred percent of the closing market price of Federated's common stock on the New York Stock Exchange as listed in The Wall Street Journal on

the trading day immediately preceding the Grant Date; the term of the grant shall expire ten years from the Grant Date; the grant is subject to the terms of the attached form of Non-Qualified Stock Option Agreement with Federated.

RESTRICTED STOCK AWARD: Federated shall grant to Employee, effective February 24, 2003 (The Grant Date"), 50,000 restricted shares of Federated's Common Stock, with restrictions as to all such shares to lapse on the fourth anniversary of the Grant Date; the grant is subject to the terms of the attached form of Restricted Stock Agreement.

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Exhibit 21

FEDERATED DEPARTMENT STORES, INC.
SUBSIDIARY LIST AS OF 4/1/03

<TABLE>
<CAPTION>

CORPORATE NAME	STATE OF INCORPORATION	TRADENAME(S)
22 East Advertising Agency, Inc.	Florida	
22 East Realty Corporation	Florida	
Advertex Communications, Inc.	Delaware	
Allied Stores General Real Estate Company	Delaware	
Astoria Realty, Inc.	Delaware	
Axsys National Bank, N.A.	N/A	
BFC Real Estate Company	Delaware	
Bloomingdale's Atlantic City, Inc.	Delaware	
Bloomingdale's By Mail Ltd.	New York	Bloomingdale's By Mail
Bloomingdale's, Inc.	Ohio	Bloomingdale's
Bloomingdales.com, Inc.	New York	bloomingdales.com
Broadway Receivables, Inc.	Delaware	
Broadway Stores, Inc.	Delaware	
Burdines, Inc.	Ohio	Burdines
Cowie & Company, Limited	New York	
FACS Group, Inc.	Ohio	FACS
FACS Insurance Agency, Inc.	Texas	
FDS Bank	N/A	
FDS Thrift Holding Co., Inc.	Ohio	
Federated Brands, Inc.	Delaware	
First Automated Systems & Technology, Inc.	Ohio	
Federated Claims Services Group, Inc.	Delaware	
Federated Corporate Services, Inc.	Delaware	Federated Logistics and Operations (FLO)
Federated Department Stores Foundation	Ohio	
Federated Department Stores Insurance Company, Ltd. (99.99% ownership)	Bermuda	
Federated Department Stores, Inc.	Delaware	Federated Merchandising Group (FMG)
Federated Direct, Inc.	Delaware	
Federated Gift Card Company	Ohio	
Federated Noteholding Corporation	Delaware	
Federated Noteholding Corporation II	Delaware	
Federated Retail Holdings, Inc.	Delaware	
Federated Specialty Stores, Inc.	Ohio	
Federated Stores Realty, Inc.	Delaware	
Federated Systems Group, Inc.	Delaware	
Federated Western Properties, Inc.	Ohio	
FSG Leasing Corp.	Delaware	
I. Magnin, Inc.	Delaware	

</TABLE>

<TABLE>
<Caption>

Corporate Name	State of Incorporation	Tradename(s)
iTrust Insurance Agency, Inc.	Arizona	
Jordan Marsh Insurance Agency, Inc.	Massachusetts	
Jordan Servicenter, Inc.	Delaware	
Macy Financial, Inc.	Delaware	
Macy's Department Stores, Inc.	Ohio	
Macy's East, Inc.	Ohio	Macy*s
Macy's Hamilton By Appointment, Inc.	Delaware	
Macy's Holdings, Inc.	Nevada	
Macy's Puerto Rico, Inc.	Puerto Rico	Macy*s
Macy's Texas I Limited Partnership	Texas	

Macy's Texas, Inc.	Delaware	Macy*s
Macy's West, Inc.	Ohio	Macy*s
Macys.com, Inc.	New York	macy*s.com
MOA Rest, Inc.	Minnesota	
Prime II Receivables Corporation	Delaware	
Prime Receivables Corporation	Delaware	
R. H. Macy Holdings (HK), Ltd.	Delaware	
R. H. Macy Warehouse (HK), Ltd.	Delaware	
Rich's Department Stores, Inc.	Ohio	Goldsmith's Lazarus Rich's Rich's-Macy's
Seven Hills Funding Corporation	Delaware	
Seven West Seventh, Inc.	Delaware	
Stern's - Misc., Inc.	Ohio	
The Bon, Inc.	Ohio	The Bon The Bon Marche'
USA Direct/Guthy-Renker, Inc. (50% ownership)	Minnesota	
Wise Chat Limited	Hong Kong	
York-JMC, Inc.	Delaware	

</TABLE>

Exhibit 23

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 34, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ James M. Zimmerman

James M. Zimmerman

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Terry J. Lundgren

Terry J. Lundgren

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby

ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Ronald W. Tysoe

Ronald W. Tysoe

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Karen M. Hoguet

Karen M. Hoguet

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Joel A. Belsky

Joel A. Belsky

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report

on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Meyer Feldberg

Meyer Feldberg

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Earl G. Graves, Sr.

Earl G. Graves, Sr.

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Sara Levinson

Sara Levinson

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all

instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Joseph Neubauer

Joseph Neubauer

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Joseph A. Pichler

Joseph A. Pichler

POWER OF ATTORNEY

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Dated: March 28, 2003 /s/ Karl M. von der Heyden

Karl M. von der Heyden

POWER OF ATTORNEY

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Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Craig E. Weatherup

Craig E. Weatherup

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick and Padma Tatta Cariappa, or either of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2003 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 28, 2003 /s/ Marna C. Whittington

Marna C. Whittington

Exhibit 22

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Shareholders
Federated Department Stores, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-44373, 333-77089, 333-22737, 333-88242, 333-104017, 333-104204, 333-104205 and 333-104207) on Form S-8 and in the registration statement (No. 333-69682) on Form S-3 of Federated Department Stores, Inc. of our report dated February 25, 2003, relating to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of February 1, 2003 and February 2, 2002 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the fifty-two week period ended February 1, 2003, the fifty-two week period ended February 2, 2002, and the fifty-three week period ended February 3 2001, which report appears in the February 1, 2003 annual report on Form 10-K of Federated Department Stores, Inc.

KPMG LLP

Cincinnati, Ohio
April 16, 2003

Exhibit 99

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-K of Federated Department Stores, Inc. (the "Company") for the fiscal year ended February 1, 2003, 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.

/s/ Terry J. Lundgren

Name: Terry J. Lundgren
Title: Chief Executive Officer

/s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Federated Department Stores, Inc. and will be retained by Federated Department Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.