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, 1997

COMMISSION FILE NUMBER

1-13536

FEDERATED DEPARTMENT STORES, INC.
151 WEST 34TH STREET
NEW YORK, NEW YORK 10001
(212) 695-4400
AND
7 WEST SEVENTH STREET
CINCINNATI, OHIO 45202
(513) 579-7000

INCORPORATED IN DELAWARE I.R.S. NO. 13-3324058

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Common Stock, par value $.01 per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange
Series C Warrants	New York Stock Exchange
Series D Warrants	New York Stock Exchange
10% Senior Notes due 2001	New York Stock Exchange
8.125% Senior Notes due 2002	New York Stock Exchange
5% Convertible Notes due 2003	New York Stock Exchange
8.5% Senior Notes due 2003	New York Stock Exchange

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in a definitive proxy statement incorporated by reference in Part III of this Form 10-K.

There were 208,379,561 shares of the Company's Common Stock outstanding as of April 4, 1997, excluding shares held in the treasury of the Company or by subsidiaries of the Company. The aggregate market value of the shares of such 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 April 4, 1997, was approximately $6,980,700,000.

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, 1997 (the "Annual Meeting"), are incorporated by reference in Part III hereof.

Unless the context otherwise requires, (i) references herein to the "Company" are, for all periods prior to December 19, 1994 (the "Merger Date"), references to Federated Department Stores, Inc. ("Federated") and its subsidiaries and their respective predecessors, and, for all periods following the merger (the "Merger") of Federated and R.H. Macy & Co., Inc. ("Macy's") on the Merger Date, references to the surviving corporation in the Merger and its subsidiaries, and (ii) references to "1996", "1995", "1994", "1993" and "1992" are references to the Company's fiscal years ended February 1, 1997, February 3, 1996, January 28, 1995, January 29, 1994, and January 30, 1993, respectively.

ITEM 1. BUSINESS.

General. The Company is one of the leading operators of full-line department stores in the United States, with 411 department stores in 33 states as of February 1, 1997. The Company's 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. The Company's department stores are located at urban or suburban sites, principally in densely populated areas across the United States. The Company also operates more than 150 specialty stores under the names "Aeropostale" and "Charter Club", and a mail order catalog business under the name "Bloomingdale's By Mail".

The following table sets forth certain information with respect to each of the Company's retail operating divisions:

<TABLE>
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	FEBRUARY 1, 1997		FEBRUARY 3, 1996	
	NUMBER OF STORES	GROSS SQUARE FEET(A)	NUMBER OF STORES	GROSS SQUARE FEET(A)
		(THOUSANDS)		(THOUSANDS)
<S>	<C>	<C>	<C>	<C>
Bloomingdale's	21	5,578	17	4,689
The Bon Marche	42	5,038	41	4,960
Burdines	48	7,942	47	7,884
Macy's East	90	23,673	89	23,355
Macy's West	109	21,093	116	22,518
Rich's/Lazarus/Goldsmith's	76	14,780	75	14,672
Stern's	25	4,915	27	5,425
Macy's Specialty	153	561	153	555
Total	564	83,580	565	84,058

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(a) Reflects total square footage of store locations, including office, storage, service and other support space that is not dedicated to direct merchandise sales, but excluding warehouses and distribution terminals not located at store sites.

In general, each of the Company's retail operating divisions is a separate subsidiary of the Company. However, the Macy's West division and the Rich's/Lazarus/Goldsmith's division each comprises three separate subsidiaries of the Company.

The Company provides electronic data processing and other support functions to its retail operating divisions on an integrated, Company-wide basis. In addition, the Company's financial and credit services subsidiary, FACS Group, Inc. ("FACS"), which is based near Cincinnati, Ohio, establishes and monitors credit policies on a Company-wide basis. FACS also provides proprietary credit services, including credit authorizations, new account development and processing, and customer service, to each retail operating

division of the Company and collection services to each of the retail operating divisions that were divisions of Federated prior to the Merger and in respect of the "Macy's" credit card accounts owned by the Company. GE Capital Consumer Card Co. ("GE Bank"), which purchased all of the "Macy's" credit card accounts owned by Macy's prior to the Merger (and with which the Company has an agreement regarding the allocation of the ownership of "Macy's" credit card accounts originated subsequent to the Merger) provides statement processing and mailing to each retail operating division of the Company and collection services in respect of the GE Bank-owned "Macy's" credit card accounts. The Company's data processing subsidiary, Federated Systems Group, Inc. ("FSG"), which is based near Atlanta, Georgia, 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 divisions. In addition, a specialized staff maintained in the Company's corporate offices in Cincinnati provides services for all divisions in such areas as store design and construction, accounting, real estate, insurance and supply purchasing, as well as various other corporate office functions. FACS, FSG, a specialized service subsidiary and certain departments in the Company's corporate offices offer their services to unrelated third parties as well. Federated Merchandising Group, a division of the Company based in New York City, helps the Company to centrally develop and execute consistent merchandise strategies while retaining the ability to tailor merchandise assortments and merchandising strategies to the particular character and customer base of the Company's various department store franchises. Federated Merchandising Group is also responsible for the private label development of the Company's retail operating divisions except for Bloomingdale's (which has its own private label program) and Stern's (which sources its private label merchandise through Associated Merchandising Corporation). Federated Logistics, a division of Federated Corporate Services, Inc., a subsidiary of the Company, based in Secaucus, New Jersey, provides warehousing and merchandise distribution services for the Company's retail operating divisions.

The Company and its predecessors have been operating department stores since 1830. Federated was organized as a Delaware corporation in 1929. On February 4, 1992, Allied Stores Corporation ("Allied") was merged into Federated. On May 26, 1994, Federated acquired Joseph Horne Co., Inc. pursuant to a subsidiary merger. On December 19, 1994, Federated acquired Macy's pursuant to the Merger. On October 11, 1995, the Company acquired Broadway Stores, Inc. ("Broadway") pursuant to a subsidiary merger.

The Company's executive offices are located at 151 West 34th Street, New York, New York 10001, telephone number: (212) 695-4400 and at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000.

Employees. As of February 1, 1997, the Company had approximately 117,100 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, 1997 were represented by unions. Management considers its relations with employees to be satisfactory.

Seasonality. The department store 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 1996. 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 business, in particular, are intensely competitive. Generally, the Company's stores are in competition not only with other department stores in the geographic areas in which they operate but also with 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 mail order catalogs, television and computer services) and manufacturers' outlets.

ITEM 1A. EXECUTIVE OFFICERS OF THE REGISTRANT.

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

<TABLE>
<CAPTION>

NAME	AGE	POSITION WITH THE COMPANY
<S>	<C>	<C>
Allen I. Questrom.....	57	Chairman of the Board and Chief Executive Officer; Director
James M. Zimmerman.....	53	President and Chief Operating Officer; Director
Ronald W. Tysoe.....	44	Vice Chairman of the Board and Chief Financial Officer; Director
Thomas G. Cody.....	55	Executive Vice President -- Legal and Human Resources
Dennis J. Broderick.....	48	Senior Vice President, General Counsel and Secretary
Karen M. Hoguet.....	40	Senior Vice President -- Planning and Treasurer
Joel A. Belsky.....	43	Vice President and Controller

</TABLE>

Allen I. Questrom has been Chairman of the Board and Chief Executive Officer of the Company since February 1990. Mr. Questrom has announced his decision to resign all his positions with the Company effective as of the close of business on the day of the Annual Meeting.

James M. Zimmerman has been President and Chief Operating Officer of the Company since May 1988. Mr. Zimmerman has been elected by the Board of Directors of the Company as Chairman and Chief Executive Officer of the Company, effective as of the close of business on the day of the Annual Meeting.

Ronald W. Tysoe has been Vice Chairman and Chief Financial Officer of the Company since April 1990.

Thomas G. Cody has been Executive Vice President -- Legal and Human Resources of the Company since May 1988.

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.

Karen M. Hoguet has been Senior Vice President -- Planning of the Company since April 1991 and Treasurer of the Company since January 1992.

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, and prior thereto as Vice President of Finance and Chief Financial Officer of the Rich's/Goldsmith's division of the Company (now Rich's/Lazarus/Goldsmith's).

Upon Mr. Questrom's retirement, effective as of the close of business on the day of the Annual Meeting, Terry J. Lundgren will become President and Chief Merchandising Officer of the Company and is expected to be elected as a director following the Annual Meeting. Mr. Lundgren, age 44, has been Chairman of

Federated Merchandising Group, a division of the Company, since February 1994; prior thereto he was Chairman and Chief Executive Officer of The Neiman Marcus Group, Inc. since February 1990.

ITEM 2. PROPERTIES.

The properties of the Company consist primarily of stores and related retail facilities, including warehouses and distribution centers. The Company also owns or leases other properties, including corporate office space in New York and Cincinnati and other facilities at which centralized operational support functions are conducted. As of February 1, 1997, the Company operated 411 department stores, of which 203 stores were entirely or mostly owned and 208

stores were entirely or mostly leased. The Company's interests in approximately 27% of its owned stores and approximately 6% of its leased stores are subject to security interests in favor of certain third-party creditors. See "Mortgages" and "Secured Promissory Note" in Note 9 to the Consolidated Financial Statements. Pursuant to 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.

See "Item 1. Business" for information regarding the number of stores and total gross square feet (in thousands) of store space, operated by the Company as of the end of each of the last two fiscal years. Such information is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

The Company and its subsidiaries are involved in various proceedings that are incidental to the normal course of their businesses. The Company does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

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." The following table sets forth for each fiscal quarter during 1996 and 1995 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape:

<TABLE>
<CAPTION>

	1996		1995	
	LOW	HIGH	LOW	HIGH
<S>	<C>	<C>	<C>	<C>
1st Quarter	26.125	34.750	18.500	23.125
2nd Quarter	29.375	36.625	20.875	28.125
3rd Quarter	31.125	36.125	24.500	30.125
4th Quarter	30.000	37.000	25.000	29.750

</TABLE>

The Company has not paid any dividends on its Common Stock during its two most recent fiscal years, and does not anticipate paying any dividends on the Common Stock in the foreseeable future. In addition, the covenants in certain debt instruments to which the Company is a party restrict the ability of the Company to pay dividends.

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.

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995	52 WEEKS ENDED JANUARY 29, 1994	52 WEEKS ENDED JANUARY 30, 1993
<S>	<C>	<C>	<C>	<C>	<C>
(THOUSANDS, EXCEPT PER SHARE DATA)					
Consolidated Statement of Income Data:					
Net sales, including leased department sales	$15,228,999	$15,048,513	$ 8,315,877	$ 7,229,406	$ 7,079,941

Cost of sales:					
Recurring	9,288,686	9,317,784	5,131,363	4,373,941	4,229,396
Inventory valuation adjustments related to consolidation	65,681	91,637	14,880	--	--
Total cost of sales	9,354,367	9,409,421	5,146,243	4,373,941	4,229,396
Selling, general and administrative expenses:					
Recurring	4,738,483	4,748,331	2,549,122	2,323,546	2,420,684
Business integration and consolidation expenses	242,950	202,293	70,987	--	--
Charitable contribution to Federated Department Stores Foundation	--	25,581	--	--	--
Total selling, general and administrative expenses	4,981,433	4,976,205	2,620,109	2,323,546	2,420,684
Operating income	893,199	662,887	549,525	531,919	429,861
Interest expense	(498,616)	(508,132)	(262,115)	(213,544)	(258,211)
Interest income	46,852	47,104	43,874	49,405	60,357
Income before income taxes and extraordinary items	441,435	201,859	331,284	367,780	232,007
Federal, state and local income tax expense	(175,571)	(127,306)	(143,668)	(170,987)	(99,299)
Extraordinary items (a)	--	--	--	(3,545)	(19,699)
Net income	$ 265,864	$ 74,553	$ 187,616	$ 193,248	$ 113,009
Earnings per Share of Common Stock:					
Income before extraordinary items	$ 1.28	$ .39	$ 1.41	$ 1.56	$ 1.19
Net income	1.28	.39	1.41	1.53	1.01
Average number of shares outstanding	207,537	191,503	132,862	126,293	111,350
Depreciation and amortization	$ 533,362	$ 496,911	$ 285,861	$ 229,781	$ 230,124
Capital expenditures	$ 846,016	$ 699,306	$ 397,664	$ 312,960	$ 207,931
Balance Sheet Data (at year end):					
Cash	$ 148,794	$ 172,518	$ 206,490	$ 222,428	$ 566,984
Working capital	2,831,603	3,262,296	2,375,654	1,967,569	2,227,336
Total assets	14,264,143	14,295,050	12,276,990	7,419,427	7,019,770
Short-term debt	1,094,557	733,115	463,042	10,099	12,944
Long-term debt	4,605,916	5,632,232	4,529,220	2,786,724	2,809,757
Shareholders' equity	4,669,154	4,273,686	3,639,610	2,278,244	2,074,980

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(a) The extraordinary items for 1993 and 1992 were after-tax expenses associated with debt prepayments.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company acquired Macy's on December 19, 1994 and effected other acquisitions (and dispositions) during its 1994 fiscal year. Additionally, in its 1995 fiscal year, the Company acquired Broadway and recorded the acquisition as of July 29, 1995. Under the purchase method of accounting, the assets, liabilities and results of operations associated with such acquired businesses have been included in the Company's financial position and results of operations since the respective dates of acquisition. Accordingly, the financial position and results of operations of the Company presented and discussed herein are generally not directly comparable between the periods presented. The following discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto contained elsewhere in this report.

RESULTS OF OPERATIONS

Comparison of the 52 Weeks Ended February 1, 1997 and the 53 Weeks Ended February 3, 1996. Net sales for 1996 were $15,229.0 million compared to $15,048.5 million for 1995, an increase of 1.2%. On a comparable store basis, net sales for 1996 increased 3.1 percent compared to the first 52 weeks of 1995. Net sales for 1996 were somewhat negatively impacted by the Company's efforts to

gradually reduce the degree to which it utilizes promotional selling practices with respect to home-related merchandise.

Cost of sales was 61.4% of net sales for 1996, compared to 62.5% for 1995. Cost of sales includes one-time inventory valuation adjustments related to merchandise in lines of business that were eliminated or replaced in connection with the consolidation of merchandise inventories for acquired and pre-existing businesses. In 1996, cost of sales includes $65.7 million of inventory valuation adjustments in connection with the integration of Broadway into the Company. In 1995, cost of sales includes $69.1 million of inventory valuation adjustments in connection with the integration of Macy's into the Company and $22.5 million of inventory valuation adjustments in connection with the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions. Also, in 1995, cost of sales was negatively impacted by greater markdowns at stores operated as Broadway locations. Excluding these stores in 1995 and the inventory valuation adjustments discussed above, cost of sales would have been 61.0% of net sales for 1996, compared to 61.3% for 1995. The lower level of promotional activity for home-related merchandise and increased sales of higher margin private label merchandise contributed to the improvement for 1996. The valuation of merchandise inventory on the last-in, first-out basis did not impact cost of sales in either year.

Selling, general and administrative expenses were 32.7% of net sales for 1996, compared to 33.1% for 1995. Selling, general and administrative expenses include one-time costs related to the integration and consolidation of acquired and pre-existing businesses as business integration and consolidation expenses ("BICE"). In 1996, selling, general and administrative expenses include, under the caption BICE, $167.7 million of costs associated with the integration of Broadway into the Company, $33.7 million of costs related to the integration of Macy's into the Company and $41.5 million of costs related to other support operation restructurings, primarily the centralization of the Company's merchandise distribution function. In 1995, selling, general and administrative expenses include, under the caption BICE, $139.8 million of costs associated with the integration of Macy's into the Company, $48.1 million of costs associated with the integration of Broadway into the Company and $14.4 million of costs related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions, and also include a $25.6 million charitable contribution to Federated Department Stores Foundation. Excluding these items for both 1996 and 1995, selling, general and administrative expenses would have been 31.1% of net sales for 1996, compared to 31.6% for 1995. The improvement for 1996 primarily reflects the operating efficiencies resulting from the integration of Macy's into the Company in fiscal 1995 and other support operation restructurings (primarily merchandise distribution).

Selling, general and administrative expenses in 1996 reflect higher expenses for doubtful customer accounts receivable, partially offset by higher finance charge revenues. Amounts charged to expense for doubtful accounts receivable were $171.9 million for 1996, compared to $126.9 million for 1995. The increase reflects higher average accounts receivable balances, the consolidation of certain credit card nameplates, the effects of closing stores in certain markets and general economic conditions in the geographic areas in which the Company operates. Partially offsetting the increase in amounts charged to expense for doubtful accounts, finance charge income grew to $429.5 million in 1996, compared to $405.2 million in 1995, primarily due to higher average accounts receivable balances.

Net interest expense was $451.8 million for 1996 compared to $461.0 million for 1995. The lower interest expense for 1996 is principally due to the lower levels of borrowings.

The Company's effective income tax rate of 39.8% for 1996 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.

Comparison of the 53 Weeks Ended February 3, 1996 and the 52 Weeks Ended January 28, 1995. Net sales for 1995 were $15,048.5 million compared to $8,315.9 million for 1994, an increase of 81.0%. Including sales of the Macy's stores that were open throughout both periods being compared, and adjusting for the impact of the 53rd week in 1995, comparable store sales increased 2.7% in 1995. Net sales for 1995 included $1,050.3 million of Broadway sales.

Cost of sales was 62.5% of net sales for 1995, compared to 61.9% for 1994. Cost of sales included one-time inventory valuation adjustments related to merchandise in lines of business that were eliminated or replaced in connection with the consolidation of merchandise inventories for acquired and pre-existing businesses. In 1995, cost of sales included $69.1 million of inventory valuation adjustments in connection with the integration of Macy's into the Company and $22.5 million of inventory valuation adjustments in connection with the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions. In 1994, cost of sales included $14.9 million of inventory valuation adjustments in connection with the integration of Horne's into the Company's Lazarus division. Also, in 1995, cost of sales was negatively impacted by markdowns at stores operated as Broadway locations. Excluding these stores and the inventory valuation adjustments discussed above, cost of sales would have been 61.3% of net sales for 1995 and 61.7% for 1994. The valuation of merchandise inventory on the last-in, first-out basis did not impact cost of sales in 1995 and resulted in a credit of $11.3 million to cost of sales in 1994.

Selling, general and administrative expenses were 33.1% of net sales for 1995, compared to 31.5% for 1994. Selling, general and administrative expenses included one-time costs related to the integration and consolidation of acquired and pre-existing businesses under the caption BICE. In 1995, selling, general and administrative expenses included, under the caption BICE, $139.8 million of costs associated with the integration of Macy's into the Company, $48.1 million of costs associated with the integration of Broadway into the Company and $14.4 million of costs related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions, and also included a $25.6 million charitable contribution to Federated Department Stores Foundation. In 1994, selling, general and administrative expenses included, under the caption BICE, $45.8 million of costs associated with the integration of Macy's into the Company, $12.1 million of costs associated with the integration of Horne's into the Company and $13.1 million of costs associated with the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions. Excluding these items for both 1995 and 1994, selling, general and administrative expenses would have been 31.6% of net sales for 1995, compared to 30.7% for 1994. Because the credit card programs relating to Macy's are owned by

a third party, revenue from credit operations decreased in 1995 as a percentage of sales. Because selling, general and administrative expenses are reported net of revenue from credit operations, such decrease was the major factor contributing to the increase in 1995 in the selling, general and administrative expense rate and more than offset the Company's improved expense control. In addition, operating expenses were reduced by $23.8 million in 1994 as a result of an adjustment for the favorable settlement of bankruptcy claims.

Selling, general and administrative expenses in 1995 reflected higher finance charge income and increased expenses for doubtful customer accounts receivable. Finance charge income was $405.2 million for 1995 compared to $320.3 million for 1994. The increase reflected higher average accounts receivable balances. Amounts charged to expense for doubtful accounts receivable grew to $126.9 million in 1995, compared to $66.5 million recorded in 1994. The increase reflected the higher average accounts receivable balances, the consolidation of certain credit card nameplates, the effects of closing stores in certain markets and general economic conditions in the geographic areas in which the Company operates.

Net interest expense was $461.0 million for 1995, compared to $218.2 million for 1994. The higher interest expense in 1995 was principally due to the higher levels of borrowings resulting from the Macy's and Broadway acquisitions. Cash interest payments, net of interest received, were $398.0 million for 1995 compared to $166.8 million for 1994.

The Company's effective income tax rate of 63.1% for 1995 differed from the federal income tax statutory rate of 35.0% principally because of permanent differences arising from the non-deductibility of approximately $65.0 million of losses of Broadway and the amortization of intangible assets, and the effect of state and local income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash on hand, cash from

operations and certain available credit facilities.

Net cash provided by operating activities in 1996 was $1,220.5 million, an increase of $926.0 million from the net cash provided by operating activities in 1995 of $294.5 million. In addition to improved operating results, the primary factors which contributed to this improvement were decreases in accounts receivable and lower increases in merchandise inventories, both changes due to Broadway store closings, and increases in non-merchandise payables and accrued liabilities. Cash provided from operations in 1995 was negatively impacted by higher payments of non-merchandise payables and accrued liabilities (including liabilities related to the Macy's acquisition).

The Company is a party to a bank credit facility providing for up to $515.7 million of term borrowings and up to $2,000.0 million of revolving credit borrowings (including a $500.0 million letter of credit subfacility). The Company also has in effect a facility to finance its customer accounts receivable which provides for, among other things, the issuance from time to time of up to $375.0 million of receivables backed commercial paper. As of February 1, 1997, the Company had $515.7 million of term borrowings, $310.0 million of revolving credit borrowings, $48.1 million of standby letters of credit and $112.5 million of trade letters of credit outstanding under its bank credit facility and $146.0 million of commercial paper borrowings outstanding under its receivables backed commercial paper facility.

Net cash used in investing activities was $649.8 million in 1996 compared to $633.2 million in 1995. In 1996, capital expenditures for property and equipment were $846.0 million and dispositions of property and equipment, principally Broadway stores and merchandise distribution facilities, totaled $196.2 million. During

1996, the Company opened seven new department stores and two new furniture galleries and closed ten stores, five of which were Broadway stores. In 1995, capital expenditures for property and equipment were $696.5 million, and the Company added $16.3 million in cash as a result of the acquisition of Broadway. The total purchase price for Broadway, consisting solely of non-cash items, was $1,620.0 million.

Net cash used by the Company for all financing activities was $594.4 million in 1996 compared to $304.8 million net cash provided for all financing activities in 1995. During 1996, the Company incurred debt totaling $688.7 million and repaid debt totaling $1,334.9 million. Debt incurred consisted of $450.0 million of 8 1/2% Senior Notes due 2003 and $238.8 million of asset-backed certificates. The major components of debt repaid consisted of $386.5 million of commercial paper borrowings under a receivables based credit facility of a subsidiary of Broadway which was terminated on May 14, 1996, $64.0 million of asset-backed notes issued by a subsidiary of Broadway and $284.3 million of term borrowings and $530.0 million of revolving credit loans under the Company's bank credit facility. In 1996, the Company issued 4.1 million shares of common stock and received $99.0 million in proceeds upon the exercise of its Series A Warrants, which expired on February 15, 1996. On January 22, 1997, the Company entered into an arrangement providing for off balance sheet financing of up to $200.0 million of non-proprietary credit card receivables arising under accounts owned by the Company. At February 1, 1997, $103.5 million of borrowings were outstanding under this arrangement.

The Company intends to open six new department stores in 1997 and its budgeted capital expenditures are approximately $2,300.0 million for the 1997 to 1999 period. Management presently anticipates funding such expenditures from operations. In addition, the Company intends to close seven to ten department stores in 1997.

Management believes the department store business will continue to consolidate. Accordingly, the Company intends from time to time to consider additional acquisitions of department store assets and companies.

Management of the Company believes that, with respect to its current operations, cash on hand and funds from operations, together with its credit facilities, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements. 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. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

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 and 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 AND CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

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 "Compensation Committee Interlocks and Insider Participation" and under "Certain Relationships and Related Transactions" in the Proxy Statement and incorporated herein by reference.

PART IV

ITEM 14. 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 for the fiscal year ended January 28, 1995 (the "1994 Form 10-K")

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
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 3.2 to the 1994 Form 10-K
4.1	Certificate of Incorporation	See Exhibit 3.1
4.2	By-Laws	See Exhibit 3.2
4.3	Rights Agreement, dated as of December 15, 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 State Street Bank and Trust Company (successor to 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 (the "S-3 Registration Statement")
4.4.1	Third Supplemental Indenture, dated as of January 23, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.4.1 to the 1994 Form 10-K
4.4.2	Fourth Supplemental Indenture, dated as of September 27, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.2 to the Company's Registration Statement on Form 8-A, dated November 29, 1995
4.4.3	Fifth Supplemental Indenture, dated as of October 6, 1995, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 2 to the Company's Registration Statement on Form 8-A, dated October 4, 1995
4.4.4	Sixth Supplemental Indenture, dated as of February 1, 1996, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1995 (the 1995 Form 10-K")
4.4.5	Seventh Supplemental Indenture, dated as of May 22, 1996, between the Company and State Street Bank and Trust Company (successor to The First National Bank of Boston), as Trustee	Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 1996 (the "May 1996 Form 10-Q")
4.5	Series C Warrant Agreement	Exhibit 4.6 to the 1994 Form 10-K

4.6	Series D Warrant Agreement	Exhibit 4.7 to the 1994 Form 10-K
4.7	Series E Warrant Agreement	Exhibit 4.9 to the 1995 Form 10-K

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
4.8	Warrant Agreement	Exhibit 4.1 to Broadway's Annual Report on Form 10-K (File No. 1-8765) for the fiscal year ended January 30, 1993 (the "Broadway 1992 Form 10-K")
4.8.1	Letter Agreement, dated October 11, 1995, between Broadway and The Bank of New York	Exhibit 4.5.1 to the October 1995 Form 10-Q
4.9	Series B Warrant Agreement	Exhibit 10.7 to the Company's Registration Statement on Form 10 (File No. 1-10951), filed November 27, 1991, as amended (the "Form 10")
10.1	Credit Agreement, dated as of December 19, 1994, among the Company, Citibank, N.A., The Chase Manhattan Bank, successor to Chemical Bank ("Chase Bank"), Citicorp Securities, Inc., Chase Securities, Inc., successor to Chemical Securities, Inc., and the initial lenders named therein (the "Working Capital Credit Agreement")	Exhibit 10.3 to the 1994 Form 10-K
10.1.1	Amendment #2 and Waiver, dated as of August 30, 1995, to the Working Capital Credit Agreement	Exhibit 10.5 to the October 1995 Form 10-Q
10.1.2	Amendment #3, dated as of April 26, 1996, to the Working Capital Credit Agreement	Exhibit 4.1 to the May 1996 Form 10-Q
10.1.3	Amendment #4, dated as of September 9, 1996, to the Working Capital Credit Agreement	
10.1.4	Amendment #5, dated as of January 6, 1997, to the Working Capital Credit Agreement	
10.2	Loan Agreement, dated as of December 30, 1987 (the "Prudential Loan Agreement"), among Prudential, Allied Stores Corporation ("Allied"), and certain subsidiaries of Allied named therein	Exhibit 10.12 to Allied's Annual Report on Form 10-K (File No. 1-970) for the fiscal year ended January 2, 1988
10.2.1	Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement	Exhibit 10.9.1 to Form 10
10.2.2	Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement	Exhibit 10.9.2 to Form 10

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.2.3	Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement	Exhibit 10.9.3 to Form 10
10.3	Loan Agreement, dated as of May 26, 1994 (the "Lazarus PA Mortgage Term Loan"), among Lazarus PA, Inc. (formerly Joseph Horne Co., Inc.), the banks listed thereon, and PNC	Exhibit 10.47 to the 1994 S-4 Registration Statement

	Bank, Ohio, National Association, as Agent ("PNC")	
10.3.1	First Amendment to the Lazarus PA Mortgage Term Loan	Exhibit 10.6 to the October 1995 Form 10-Q
10.4	Guaranty Agreement, dated as of May 26, 1994, made by the Company in favor of the banks listed on the Lazarus PA Mortgage Term Loan and PNC	Exhibit 10.48 to the 1994 S-4 Registration Statement
10.4.1	Amendment #1 to Guaranty Agreement, dated as of February 28, 1995, made by the Company in favor of the banks listed on the Lazarus PA Mortgage Term Loan and PNC	Exhibit 10.7.1 to the 1994 Form 10-K
10.5	Amended and Restated Term Loan Agreement, dated as of October 8, 1992, by and among the Banks party thereto, Bank of America National Trust and Savings Association as Agent for Banks and Carter Hawley Hale Stores, Inc.	Exhibit 4.23 to Broadway's Annual Report on Form 10-K (File No. 1-8765) for the fiscal year ended January 30, 1993, as amended (the "Broadway 1992 10-K")
10.5.1	Master Capitalized Interest Note, dated as of October 8, 1992, in favor of Bank of America National Trust and Savings Association as Agent for certain banks in the amount of $10,750,830.46	Exhibit 4.24 to the Broadway 1992 10-K
10.5.2	Master Principal Note, dated as of October 8, 1992, in favor of Bank of America National Trust and Savings Association as Agent for certain banks in the amount of $89,662,770.00	Exhibit 4.25 to the Broadway 1992 10-K
10.5.3	First Amendment to Amended and Restated Term Loan Agreement, dated as of October 11, 1995, by and among Broadway, the Banks party thereto and Bank of America National Trust and Savings Association, as Agent for Banks	Exhibit 10.2.3 to the October 1995 Form 10-Q

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
<S>	<C>	<C>
10.5.4	Second Amendment to Amended and Restated Term Loan Agreement, dated as of December 1, 1995, by and among Broadway, the Banks party thereto and Bank of America National Trust and Savings Association, as Agent for Banks	Exhibit 10.5.4 to the 1995 Form 10-K
10.6	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 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
10.6.1	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")
10.6.2	Second Amendment, dated as of February 28, 1994, to the Pooling and Servicing Agreement	Exhibit 10.10.2 to the 1993 Form 10-K
10.6.3	Third Amendment, dated as of May 31, 1994, to the Pooling and Servicing Agreement	Exhibit 10.8.3 to the 1994 Form 10-K

10.6.4	Fourth Amendment, dated as of January 18, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.4 to the 1995 Form 10-K
10.6.5	Fifth Amendment, dated as of April 30, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.5 to the 1995 Form 10-K
10.6.6	Sixth Amendment, dated as of July 27, 1995, to the Pooling and Servicing Agreement	Exhibit 10.6.6 to the 1995 Form 10-K
10.6.7	Seventh Amendment, dated as of May 14, 1996, to the Pooling and Servicing Agreement	
10.6.8	Eighth Amendment, dated as of March 3, 1997, to the Pooling and Servicing Agreement	
10.7	Assumption Agreement under the Pooling and Servicing Agreement, dated as of September 15, 1993	Exhibit 10.10.3 to the 1993 Form 10-K

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.8	Series 1992-1 Supplement, dated as of December 15, 1992, to the Pooling and Servicing Agreement	Exhibit 4.6 to Prime's Registration Statement on Form 8-A, filed January 22, 1993, as amended ("Prime's Form 8-A")
10.9	Series 1992-2 Supplement, dated as of December 15, 1992, to the Pooling and Servicing Agreement	Exhibit 4.7 to Prime's Form 8-A
10.10	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
10.11	Series 1995-1 Supplement, dated as of July 27, 1995, to the Pooling and Servicing Agreement	Exhibit 4.7 to Prime's Registration Statement on Form S-1, filed July 14, 1995, as amended
10.12	Series 1996-1 Supplement, dated as of May 14, 1996, to the Pooling and Servicing Agreement	Exhibit 4 to the May 1996 Prime 8-K
10.13	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 Form 8-A
10.13.1	First Amendment, dated as of June 23, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.1 to 1993 Form 10-K
10.13.2	Second Amendment, dated as of December 1, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.2 to 1993 Form 10-K
10.13.3	Third Amendment, dated as of February 28, 1994, to the Receivables Purchase Agreement	Exhibit 10.14.3 to 1993 Form 10-K
10.13.4	Fourth Amendment, dated as of May 31, 1994, to the Receivables Purchase Agreement	Exhibit 10.13.4 to the 1994 Form 10-K
10.13.5	Fifth Amendment, dated as of April 30, 1995, to the Receivables Purchase Agreement	Exhibit 10.12.5 to the 1995 Form 10-K
10.13.6	Sixth Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement	

<TABLE>
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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.13.7	Seventh Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement	
10.13.8	Eighth Amendment, dated as of May 14, 1996, to the Receivables Purchase Agreement	
10.13.9	Ninth Amendment, dated as of March 3, 1997, to the Receivables Purchase Agreement	
10.13.10	First Supplement, dated as of September 15, 1993, to the Receivables Purchase Agreement	Exhibit 10.14.4 to 1993 Form 10-K
10.13.11	Second Supplement, dated as of May 31, 1994, to the Receivables Purchase Agreement	Exhibit 10.12.7 to the 1995 Form 10-K
10.14	Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, now known as Seven Hills Funding Corporation ("Seven Hills"), the Company, and Chase 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")
10.15	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
10.16	Pledge and Security Agreement, dated as of December 31, 1992, among Seven Hills, the Company, Chase Bank, as Depository and Collateral Agent, and the Liquidity Agent	Exhibit 10.17 to 1992 Form 10-K
10.17	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
10.18	Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Seven Hills, the Company, and Shearson Lehman Brothers, Inc.	Exhibit 10.19 to 1992 Form 10-K
10.19	Receivables Purchase Agreement, dated as of January 22, 1997, among FDS National Bank and Prime II Receivables Corporation ("Prime II")	

</TABLE>

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EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.20	Class A Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS National Bank, The Class A Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent	
10.21	Class B Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS National Bank, The Class B Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent	
10.22	Pooling and Servicing Agreement, dated as of January 22, 1997, (the	

	"Prime II Pooling and Servicing Agreement") among Prime II, FDS National Bank and The Chase Manhattan Bank, as Trustee	
10.23	Series 1997-1 Supplement, dated as of January 22, 1997, to the Prime II Pooling and Servicing Agreement	
10.24	Commercial Paper Dealer Agreement, dated as of January 30, 1997, between the Company and Citicorp Securities, Inc.	
10.25	Commercial Paper Issuing and Paying Agent Agreement, dated as of January 30, 1997, between Citibank, N.A. and the Company	
10.26	Commercial Paper Dealer Agreement, dated as of January 30, 1997, between the Company and Lehman Brothers, Inc	
10.27	Tax Sharing Agreement	Exhibit 10.10 to Form 10
10.28	Ralphs Tax Indemnification Agreement	Exhibit 10.1 to Form 10
10.29	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., Form 10-Q") 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 ("Macy's May 1991 Form 10-Q")

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.30	Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, among GE Capital Consumer Card Co. ("GE Bank"), FDS National Bank, Macy's East, Inc., Macy's West, Inc., Bullock's, Inc., 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")
10.31	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
10.32	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
10.33	FDS Guaranty, dated as of June 4, 1996	Exhibit 10.4 to the August 1996 Form 10-Q
10.34	GE Capital Credit Services and License Agreement, dated as of June 4, 1996, among GE Capital, FDS National Bank, the Company and FACS Group, Inc.**	Exhibit 10.5 to the August 1996 Form 10-Q
10.35	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
10.36	Amended and Restated Commercial Accounts Agreement, dated as of June 4, 1996, among GE Capital, the Company, FDS National Bank, Macy's East, Inc., Macy's West, Inc., Bullock's, Inc., Broadway Stores, Inc., FACS Group, Inc. and MSS-Delaware, Inc.**	Exhibit 10.7 to the August 1996 Form 10-Q
10.37	1992 Executive Equity Incentive Plan*	Exhibit 10.12 to Form 10

10.38	1995 Executive Equity Incentive Plan, as amended and restated as of February 28, 1997*	
10.39	1992 Incentive Bonus Plan*	Exhibit 10.12 to Form 10
10.40	Form of Severance Agreement*	Exhibit 10.33 to the 1994 Form 10-K
10.41	Form of Indemnification Agreement*	Exhibit 10.14 to Form 10
10.42	Senior Executive Medical Plan*	Exhibit 10.1.7 to 1989 Form 10-K
10.43	Employment Agreement, dated as of June 24, 1994, between Allen I. Questrom and the Company*	Exhibit 10.59 to the 1994 S-4 Registration Statement

EXHIBIT NUMBER	DESCRIPTION	DOCUMENT IF INCORPORATED BY REFERENCE
10.44	Employment Agreement, dated as of March 10, 1997, between James M. Zimmerman and the Company*	
10.45	Form of Employment Agreement for Executives and Key Employees*	Exhibit 10.31 to 1993 Form 10-K
10.46	Supplementary Executive Retirement Plan, as amended and restated as of January 1, 1997*	
10.47	Executive Deferred Compensation Plan*	
10.48	Profit Sharing 401(k) Investment Plan (amending and restating the Retirement Income and Thrift Incentive Plan) effective as of April 1, 1997*	
10.49	Cash Account Pension Plan (amending and restating The Federated Pension Plan) effective as of January 1, 1997*	
11	Statement Regarding Computation of Earnings	
21	Subsidiaries	
23	Consent of KPMG Peat Marwick LLP	
24	Powers of Attorney	
27	Financial Data Schedule	

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* 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.

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 17, 1997

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 17, 1997.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<S>	<C>
*	Chairman of the Board and Chief Executive Officer
Allen I. Questrom	(principal executive officer) and Director
*	Vice Chairman and Chief Financial Officer
Ronald W. Tysoe	(principal financial officer) and Director
*	Vice President and Controller
Joel A. Belsky	(principal accounting officer)
*	Director
Lyle Everingham	
*	Director
Meyer Feldberg	
*	Director
Earl G. Graves, Sr.	
*	Director
George V. Grune	
*	Director
Joseph Neubauer	
*	Director
Paul W. Van Orden	
*	Director
Karl M. von der Heyden	
*	Director
Craig E. Weatherup	
*	Director
Marna C. Whittington	
*	Director
James M. Zimmerman	

</TABLE>

*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

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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 generally accepted accounting principles, 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 Peat Marwick 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 generally accepted auditing standards.

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.

Allen I. Questrom
Chairman and Chief Executive Officer

James M. Zimmerman
President and Chief Operating Officer

Ronald W. Tysoe
Vice Chairman and 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, 1997 and February 3, 1996, and the related consolidated statements of income and cash flows for the fifty-two week period ended February 1, 1997, the fifty-three week period ended February 3, 1996 and the fifty-two week period ended January 28, 1995. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries as of February 1, 1997 and February 3, 1996, and the results of their operations and their cash flows for the fifty-two week period ended February 1, 1997, the fifty-three week period ended February 3, 1996 and the fifty-two week period ended January 28, 1995, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
March 4, 1997

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
<S>	<C>	<C>	<C>
Net sales, including leased department sales.....	$15,228,999	$15,048,513	$8,315,877
Cost of sales:			
Recurring.....	9,288,686	9,317,784	5,131,363
Inventory valuation adjustments related to consolidation.....	65,681	91,637	14,880
Total cost of sales.....	9,354,367	9,409,421	5,146,243
Selling, general and administrative expenses:			
Recurring.....	4,738,483	4,748,331	2,549,122
Business integration and consolidation expenses.....	242,950	202,293	70,987
Charitable contribution to Federated Department Stores Foundation.....	--	25,581	--
Total selling, general and administrative expenses.....	4,981,433	4,976,205	2,620,109
Operating income.....	893,199	662,887	549,525
Interest expense.....	(498,616)	(508,132)	(262,115)
Interest income.....	46,852	47,104	43,874

Income before income taxes.....	441,435	201,859	331,284
Federal, state and local income tax expense.....	(175,571)	(127,306)	(143,668)
Net income.....	$ 265,864	$ 74,553	$ 187,616
Earnings per share.....	$ 1.28	$ .39	$ 1.41

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED BALANCE SHEETS

(THOUSANDS)

<TABLE>
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	FEBRUARY 1, 1997	FEBRUARY 3, 1996
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash.....	$ 148,794	$ 172,518
Accounts receivable.....	2,834,321	2,842,077
Merchandise inventories.....	3,245,996	3,094,848
Supplies and prepaid expenses.....	109,678	176,411
Deferred income tax assets.....	88,513	74,511
Total Current Assets.....	6,427,302	6,360,365
Property and Equipment -- net.....	6,524,757	6,305,167
Intangible Assets -- net.....	717,404	744,689
Notes Receivable.....	204,400	415,066
Other Assets.....	390,280	469,763
Total Assets.....	$ 14,264,143	$ 14,295,050
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt.....	$ 1,094,557	$ 733,115
Accounts payable and accrued liabilities.....	2,492,195	2,358,543
Income taxes.....	8,947	6,411
Total Current Liabilities.....	3,595,699	3,098,069
Long-Term Debt.....	4,605,916	5,632,232
Deferred Income Taxes.....	830,943	732,936
Other Liabilities.....	562,431	558,127
Shareholders' Equity.....	4,669,154	4,273,686
Total Liabilities and Shareholders' Equity.....	$ 14,264,143	$ 14,295,050

</TABLE>

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

FEDERATED DEPARTMENT STORES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(THOUSANDS)

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 265,864	$ 74,553	$ 187,616
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	504,119	444,830	260,485
Amortization of intangible assets	27,285	47,451	22,662
Amortization of financing costs	26,762	21,702	11,468
Amortization of original issue discount	459	1,202	29,435
Amortization of unearned restricted stock	1,958	4,630	2,714
Changes in assets and liabilities, net of effects of acquisition of companies:			
(Increase) decrease in accounts receivable	222,828	(21,098)	(310,934)
(Increase) decrease in merchandise inventories	(151,148)	(361,991)	28,620
(Increase) decrease in supplies and prepaid expenses	66,731	(67,745)	2,450
(Increase) decrease in other assets not separately identified	(11,608)	61,483	2,697
Increase (decrease) in accounts payable and accrued liabilities not separately identified	176,691	(83,220)	(124,662)
Increase (decrease) in current income taxes	2,536	(45,437)	61,149
Increase (decrease) in deferred income taxes	84,005	192,079	(12,057)
Increase (decrease) in other liabilities not separately identified	4,005	26,068	(184)
Net cash provided by operating activities	1,220,487	294,507	161,459
Cash flows from investing activities:			
Acquisition of companies, net of cash acquired	--	16,262	(575,408)
Purchase of property and equipment	(846,016)	(696,488)	(386,847)
Disposition of property and equipment	196,222	46,992	8,723
Net cash used by investing activities	(649,794)	(633,234)	(953,532)
Cash flows from financing activities:			
Debt issued	688,665	1,347,106	2,526,861
Financing costs	(11,120)	(27,236)	(66,602)
Debt repaid	(1,334,898)	(1,020,117)	(1,594,136)
Decrease in outstanding checks	(65,010)	(9,647)	(95,010)
Acquisition of treasury stock	(1,415)	(1,006)	(354)
Issuance of common stock	129,361	15,655	5,376
Net cash provided (used) by financing activities	(594,417)	304,755	776,135
Net decrease in cash	(23,724)	(33,972)	(15,938)
Cash beginning of period	172,518	206,490	222,428
Cash end of period	$ 148,794	$ 172,518	$ 206,490
Supplemental cash flow information:			
Interest paid	$ 465,360	$ 444,398	$ 211,457
Interest received	45,637	46,445	44,675
Income taxes paid (net of refunds received)	21,124	35,103	93,647
Schedule of noncash investing and financing activities:			
Capital lease obligations for new store fixtures	--	2,818	10,817
Common stock issued for the Executive Deferred Compensation Plan	2,926	2,501	2,070
Debt and merger related liabilities issued, reinstated or assumed in acquisition	--	1,267,074	1,414,969
Equity issued in acquisition	--	352,902	1,166,014
Debt and equity issued for purchase of debt	--	429,665	--

</TABLE>

The accompanying notes are an integral part of these 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 women's, men's and children's apparel, cosmetics, home furnishings and other consumer goods.

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

Installments of deferred payment accounts receivable maturing after one year are included in current assets in accordance with industry practice. Such 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 competitive finance charges. Minimum payments vary from 2.5% to 100.0% of the account balance, depending on the size of the balance. Profits on installment sales are included in income when the sales are made. Finance charge income is included as a reduction of selling, general and administrative expenses.

Substantially all merchandise inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is generally lower than market.

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 store 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.

Intangible assets are amortized on a straight-line basis over their estimated lives (see Note 7). The carrying value of intangible assets is periodically reviewed by the Company and impairments are recognized when the present value of the expected future operating cash flows derived from such intangible assets is less than their carrying value.

Advertising and promotional costs, which are generally expensed as incurred, amounted to $617.6 million for the 52 weeks ended February 1, 1997, $633.2 million for the 53 weeks ended February 3, 1996 and $347.5 million for the 52 weeks ended January 28, 1995.

Financing costs are amortized 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 cost of postretirement benefits other than pensions is recognized in the financial statements over an employee's term of service with the Company.

The Company accounts for its stock-based employee compensation plan in accordance with Accounting Principles Board Opinion No. 25 ("APB No. 25") and related Interpretations (see Note 14).

Earnings per share are computed on the basis of daily average number of shares outstanding during the year. Any dilution from the potential issuance of shares under warrant agreements or stock option plans would be less than 3.0%. Fully diluted earnings per share include the effect of the potential issuance of shares under warrant agreements or stock option plans, as well as for convertible debt and, unless disclosed, any such dilution would be less than 3.0%.

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

2. ACQUISITION OF COMPANIES

The Company completed its acquisition of Broadway Stores, Inc. ("Broadway") pursuant to an Agreement and Plan of Merger dated August 14, 1995. The total purchase price of the Broadway acquisition was approximately $1,620.0 million, consisting of (i) 12.6 million shares of common stock and options to purchase an additional 1.5 million shares of common stock valued at $352.9 million and (ii) $1,267.1 million of Broadway debt. In addition, a wholly owned subsidiary of the Company purchased $422.3 million of mortgage indebtedness of Broadway for 6.8 million shares of common stock of the Company and a $242.3 million promissory note.

The Broadway acquisition was accounted for under the purchase method and, accordingly, the results of operations of Broadway have been included in the Company's results of operations since July 29, 1995 and the purchase price has been allocated to Broadway's assets and liabilities based on the estimated fair value of these assets and liabilities as of that date.

The following unaudited pro forma condensed statement of income gives effect to the Broadway acquisition and related financing transactions as if such transactions had occurred at the beginning of the period presented.

<TABLE>
<CAPTION>

	53 WEEKS ENDED FEBRUARY 3, 1996
	(MILLIONS, EXCEPT PER SHARE DATA)
<S>	<C>
Net sales	$15,933.1
Net income	24.3
Earnings per share	.12

</TABLE>

The foregoing unaudited pro forma condensed statement of income gives effect to, among other pro forma adjustments, the following:

(i) Interest expense on debt incurred in connection with the acquisition, the reversal of certain of Broadway's historical interest expense;

(ii) Amortization, over 20 years, of the excess of cost over net assets acquired;

(iii) Depreciation and amortization adjustments related to the fair market value of assets acquired;

(iv) Adjustments to income tax expense related to the above; and

(v) Adjustments for shares issued.

The foregoing unaudited pro forma information is provided for illustrative purposes only and does not purport to be indicative of results that actually would have been achieved had the acquisition been consummated on the first day of the period presented.

On December 19, 1994, the Company acquired R. H. Macy & Co., Inc. ("Macy's") pursuant to a Plan of Reorganization of Macy's and substantially all of its subsidiaries. The total purchase price of the Macy's acquisition was approximately $3,815.9 million.

The Macy's acquisition was accounted for under the purchase method and, accordingly, the results of operations of Macy's have been included in the Company's results of operations since the date of acquisition and the purchase price has been allocated to Macy's assets and liabilities based on the estimated fair value of these assets and liabilities at the date of acquisition.

On May 26, 1994, the Company purchased Joseph Horne Co., Inc. ("Horne's"), a department store retailer operating ten stores in Pittsburgh and Erie, Pennsylvania for approximately $116.0 million, including the assumption of $40.0 million of mortgage debt and transaction costs. The acquisition was accounted for under the purchase method of accounting and the purchase price approximated the estimated fair value of the assets and liabilities acquired. Results of operations for the stores acquired are included in the Consolidated Financial Statements from the date of acquisition.

3. INVENTORY VALUATION ADJUSTMENTS RELATED TO CONSOLIDATION AND BUSINESS INTEGRATION AND CONSOLIDATION EXPENSES

In connection with the consolidation of merchandise inventories for acquired and pre-existing businesses, the Company recorded one-time inventory valuation adjustments related to merchandise in lines of business that were eliminated or replaced as a separate component of cost of sales. For the 52 weeks ended February 1, 1997, the amount recorded related to the consolidation of Broadway into the Company's Macy's West division. For the 53 weeks ended February 3, 1996, $69.1 million related to the integration of Macy's into the Company including the consolidation of the Macy's East division with the Company's Abraham & Straus/Jordan Marsh division and $22.5 million related to the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions. For the 52 weeks ended January 28, 1995, the amount recorded related to the consolidation of Horne's into the Company's Lazarus division.

Additionally, the Company incurred certain one-time costs related to the integration and consolidation of acquired and pre-existing businesses and classified such costs as business integration and consolidation expenses as a separate component of selling, general and administrative expenses.

During the 52 weeks ended February 1, 1997, the Company recorded $242.9 million of business integration and consolidation expenses, consisting of $167.7 million of costs associated with the integration of Broadway into the Company, $33.7 million of costs related to the integration of Macy's into the Company and $41.5 million of costs related to other support operation restructurings. The major components of the Broadway integration expenses were $90.4 million of costs associated with converting the Broadway stores to other nameplates of the Company (including advertising, credit card issuance and promotion and other name change expenses), $28.6 million of costs associated with operating Broadway central office functions for a transitional period and $48.7 million of other costs and expenses associated with the integration of Broadway into the Company, including the disposition of properties. The costs associated with the integration of Macy's into the Company primarily related to the administration and integration of Company-wide policies and procedures and the elimination of duplicative or non-continuing facilities. The costs associated with other support operation restructurings primarily related to the closure and disposition of warehouses and distribution centers in connection with the centralization of the Company's merchandise distribution function.

During the 53 weeks ended February 3, 1996, the Company recorded $202.3 million of business integration and consolidation expenses associated with the integration of Macy's and Broadway into the Company ($139.8 million and $48.1 million, respectively) and the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions ($14.4 million). The primary components of the Macy's integration expenses were $31.1 million of costs to close and sell certain stores, $38.4 million of costs to convert a number of stores to other nameplates, $30.8 million of severance costs and $39.5 million of other costs and expenses associated with integrating Macy's into the Company. The major components of the Broadway integration expenses were $23.3 million of costs to close certain stores, $8.7 million of costs to refinance certain indebtedness and $16.1 million of other costs and expenses associated with integrating Broadway into the Company.

The Company recorded a $45.8 million charge in the 52 weeks ended January 28, 1995 for the integration of Macy's into the Company, including the consolidation of the Macy's East division with the Company's Abraham & Straus/Jordan Marsh division and the consolidation of central merchandising divisions. The major components of the charge include $13.0 million in severance expenses for Abraham & Straus/Jordan Marsh employees, $12.3 million in penalties associated with terminating certain merchandise purchasing agreements and $14.1 million of losses incurred on stores closed and property writedowns related to stores sold as a result of the Macy's acquisition.

The Company also recorded $12.1 million of costs in the 52 weeks ended January 28, 1995 for the integration of the ten Horne's department stores and related facilities and merchandising and operating functions into the Company, including the costs of operating the Horne's central office during a transitional period and the incremental costs associated with converting the Horne's stores to Lazarus stores (including advertising, credit card issuance and promotion, data processing conversion and other name change expenses).

Finally, as a result of the consolidation of the Company's Rich's/Goldsmith's and Lazarus divisions, the Company recorded a $13.1 million charge in the 52 weeks ended January 28, 1995 for severance related to the elimination of duplicative positions.

4. ACCOUNTS RECEIVABLE

<TABLE>
<CAPTION>

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(MILLIONS)	
<S>	<C>	<C>
Due from customers	$ 2,523.4	$ 2,698.8
Less allowance for doubtful accounts	96.2	83.5
	2,427.2	2,615.3
Other receivables	407.1	226.8
Net receivables	$ 2,834.3	$ 2,842.1

</TABLE>

Sales through the Company's credit plans were $4,191.3 million for the 52 weeks ended February 1, 1997, $4,323.8 million for the 53 weeks ended February 3, 1996 and $3,916.9 million for the 52 weeks ended January 28, 1995, respectively. The credit plans relating to operations of the Company that were previously conducted through divisions of Macy's are owned by a third party. As of February 1, 1997, other receivables includes $200.0 million of a note receivable maturing on May 3, 1997 (see Note 8).

Finance charge income amounted to $429.5 million for the 52 weeks ended February 1, 1997, $405.2 million for the 53 weeks ended February 3, 1996 and $320.3 million for the 52 weeks ended January 28, 1995, respectively.

Changes in allowance for doubtful accounts are as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
		(MILLIONS)	
<S>	<C>	<C>	<C>
Balance, beginning of year.....	$ 83.5	$ 44.9	$ 36.9
Charged to costs and expenses.....	171.9	126.9	66.5
Acquired.....	--	16.8	--
Net uncollectible balances written off.....	(159.2)	(105.1)	(58.5)
Balance, end of year.....	$ 96.2	$ 83.5	$ 44.9

</TABLE>

5. INVENTORIES

Merchandise inventories were $3,246.0 million at February 1, 1997, compared to $3,094.8 million at February 3, 1996. At these dates, the cost of inventories using the LIFO method approximates the cost of such inventories using the first-in, first-out method. The application of the LIFO method did not impact the 52 weeks ended February 1, 1997 or the 53 weeks ended February 3, 1996 and resulted in a pre-tax credit of $11.3 million for the 52 weeks ended January 28, 1995.

6. PROPERTIES AND LEASES

<TABLE>
<CAPTION>

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(MILLIONS)	
<S>	<C>	<C>
Land.....	$ 1,047.6	$ 1,050.6
Buildings on owned land.....	2,307.0	2,400.4
Buildings on leased land and leasehold improvements.....	1,547.0	1,389.0
Store fixtures and equipment.....	2,917.5	2,352.1
Leased properties under capitalized leases.....	78.0	80.6
	7,897.1	7,272.7
Less accumulated depreciation and amortization.....	1,372.3	967.5
	$ 6,524.8	$ 6,305.2

</TABLE>

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.

Minimum rental commitments (excluding executory costs) at February 1, 1997, for noncancellable leases are:

<TABLE>
<CAPTION>

	CAPITALIZED	OPERATING

	LEASES	LEASES	TOTAL
		(MILLIONS)	
Fiscal year:			
1997	$ 13.6	$ 174.6	$ 188.2
1998	13.1	151.4	164.5
1999	12.6	139.0	151.6
2000	12.6	132.8	145.4
2001	12.1	128.7	140.8
After 2001	86.6	1,167.4	1,254.0
Total minimum lease payments	150.6	$ 1,893.9	$2,044.5
Less amount representing interest	72.0		
Present value of net minimum capitalized lease payments	$ 78.6		

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included in short-term ($5.4 million) and long-term ($73.2 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 $8.2 million on capitalized leases and $17.8 million on operating leases.

Rental expense consists of:

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
		(MILLIONS)	
Real estate (excluding executory costs)			
Capitalized leases --			
Contingent rentals	$ 3.8	$ 4.4	$ 3.3
Operating leases --			
Minimum rentals	150.9	137.4	78.9
Contingent rentals	21.0	19.6	10.4
	175.7	161.4	92.6
Less income from subleases --			
Capitalized leases	0.6	0.7	0.6
Operating leases	2.7	1.7	0.9
	3.3	2.4	1.5
	$172.4	$159.0	$ 91.1
Personal property --			
Operating leases	$ 59.7	$ 63.5	$ 37.4

7. INTANGIBLE ASSETS

	FEBRUARY 1, 1997	FEBRUARY 3, 1996

	(MILLIONS)	
<S>	<C>	<C>
Reorganization value in excess of amount allocable to identifiable assets	$ 100.2	$ 100.2
Excess of cost over net assets acquired	294.1	294.1
Tradenames	458.0	458.0
	852.3	852.3
Less accumulated amortization	134.9	107.6
Intangible assets -- net	$ 717.4	$ 744.7

</TABLE>

Intangible assets are being amortized on a straight-line basis over 20 years, except for tradenames which are being amortized over 40 years.

8. NOTES RECEIVABLE

<TABLE>
<CAPTION>

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(MILLIONS)	
<S>	<C>	<C>
9.5% note relating to the sale of certain divisions in 1988 and maturing in two equal installments on May 3, 1997 and May 3, 1998	$ 200.0	$ 400.0
Other	4.4	15.1
	$ 204.4	$ 415.1

</TABLE>

The $400.0 million note, which is supported by a letter of credit, was transferred to a grantor trust which borrowed $352.0 million under a note monetization facility and transferred such proceeds to the Company (see Note 9). The portion of the note maturing on May 3, 1997, $200.0 million, is classified in accounts receivable as of February 1, 1997 (see Note 4).

9. FINANCING

<TABLE>
<CAPTION>

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(MILLIONS)	
<S>	<C>	<C>
Short-term debt:		
Receivables backed certificates	$ 529.0	$ --
Note monetization facility	176.0	--
Receivables backed commercial paper	146.0	117.0
Bank credit facility	131.4	100.0
Current portion of long-term debt	112.2	65.6
Broadway receivables based financing	--	450.5
Total short-term debt	$ 1,094.6	$ 733.1
Long-term debt:		
Receivables backed certificates	1,364.5	1,654.3
Bank credit facility	694.3	1,540.0
10.0% Senior notes due 2001	450.0	450.0
8.5% Senior notes due 2003	450.0	--
8.125% Senior notes due 2002	400.0	400.0
Mortgages	370.4	455.7
Convertible subordinated notes	350.0	350.0

Secured promissory note	220.8	242.3
Note monetization facility	176.0	352.0
Capitalized leases	73.2	81.1
Other	56.7	106.8
Total long-term debt	$ 4,605.9	$ 5,632.2

Interest and financing costs were as follows:

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
	(MILLIONS)		
Interest on debt	$463.9	$478.2	$244.9
Amortization of financing costs	26.8	21.7	11.5
Interest on capitalized leases	8.8	9.1	6.2
Subtotal	499.5	509.0	262.6
Less:			
Interest capitalized on construction	(0.9)	(0.9)	(0.5)
Interest income	(46.8)	(47.1)	(43.9)
	$451.8	$461.0	$218.2

Future maturities of long-term debt, other than capitalized leases and including unamortized original issue discount of $1.3 million, are shown below:

	(MILLIONS)
Fiscal year:	
1998	$ 390.3
1999	816.7
2000	564.9
2001	704.9
2002	1,239.8
After 2002	817.4

On May 14, 1996, Prime Receivables Corporation, a wholly owned subsidiary of the Company ("Prime"), issued $238.8 million of asset-backed certificates and the Company terminated the receivables based credit facility of Broadway Receivables Inc., another wholly owned subsidiary.

On May 22, 1996, the Company issued $450.0 million of 8.5% Senior Notes due 2003, and subsequently prepaid $195.4 million of term borrowings under its bank credit facility. The total payments, in 1996, with respect to the term borrowings under the bank credit facility were $284.3 million including required principal payments.

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

RECEIVABLES BACKED CERTIFICATES

On December 15, 1992, Prime issued $981.0 million ($979.1 million discounted amount) of asset-backed certificates in four separate classes to finance purchases of revolving consumer credit card receivables generated by the Company's department store operations. The four classes of certificates are: (i)

$450.0 million in aggregate principal amount of 7.05% Class A-1 Asset-Backed Certificates, Series 1992-1 due December 15, 1997; (ii) $450.0 million in aggregate principal amount of 7.45% Class A-2 Asset-Backed Certificates, Series 1992-2 due December 15, 1999; (iii) $40.5 million in aggregate principal amount of 7.55%

Class B-1 Asset-Backed Certificates, Series 1992-1 due January 15, 1998; and (iv) $40.5 million in aggregate principal amount of 7.95% Class B-2 Asset-Backed Certificates, Series 1992-2 due January 18, 2000. On January 20, 1995 Prime entered into an agreement pursuant to which it effectively sold an additional $77.0 million of asset-backed certificates to a third party, with such certificates bearing interest at the purchaser's commercial paper rate plus 0.9% and maturing as to $38.5 million in 1998 and $38.5 million in 2000. The $77.0 million of certificates are subject to interest rate caps intended to effectively limit the rate of interest thereon to 11.0% per annum. On July 27, 1995, Prime issued an additional $598.0 million of asset-backed certificates in two separate classes. The two classes are: (i) $546.0 million in aggregate principal amount of 6.75% Class A Asset-Backed Certificates, Series 1995-1 due August 15, 2002 and (ii) $52.0 million in aggregate principal amount of 6.90% Class B Asset-Backed Certificates, Series 1995-1 due September 15, 2002. On May 14, 1996, Prime issued an additional $238.8 million of asset-backed certificates in two separate classes. The two classes are: (i) $218.0 million in aggregate principal amount of 6.70% Class A Asset-Backed Certificates Series 1996-1 due May 1, 2001, and (ii) $20.8 million in aggregate principal amount of 6.85% Class B Asset-Backed Certificates, Series 1996-1 due June 1, 2001. All of the foregoing certificates represent undivided interests in the assets of a master trust originated by Prime.

BANK CREDIT FACILITY

The Bank Credit Facility consists of a $2,000.0 million revolving credit facility (the "Revolving Loan Facility") and $515.7 million term loan facility (the "Term Loan Facility").

The Revolving Loan Facility provides for revolving credit loans ("Revolving Loans" and, together with the loans under the Term Loan Facility, the "Loans") of up to $2,000.0 million, of which an aggregate of $1,100.0 million is available for seasonal working capital purposes (including a letter of credit subfacility). For 30 consecutive calendar days during the period from December 1 to March 1, commencing December 1, 1995, total borrowings plus the aggregate stated amounts of stand-by letters of credit under the Revolving Loan Facility may not exceed $1,000.0 million ($1,350.0 million in the case of the period from December 1, 1995 to March 1, 1996). The Company's ability to effect borrowings under the Revolving Loan Facility is not subject to any borrowing base requirements or limitations. The Revolving Loan Facility matures on March 31, 2000, with the Revolving Loans then outstanding to be repaid in full on such date.

The Term Loan Facility matures on January 29, 2000. However, the Company is required to make quarterly amortization payments totaling, on an annual basis, $131.4 million, $175.3 million and $209.0 million for the 52 weeks ended January 31, 1998, January 30, 1999 and January 29, 2000, respectively, subject to adjustment in certain circumstances. The Company is permitted by the terms of the Credit Agreement to make voluntary prepayments of amounts outstanding under the Term Loan Facility at any time without penalty or premium. Until such time as the Company has obtained an investment grade rating with respect to its long-term senior unsecured debt, repayments of certain amounts outstanding under the Term Loan Facility are required upon the occurrence of certain events.

Loans under the Bank Credit Facility (other than "competitive bid loans," if any) bear interest at a rate equal to, at the Company's option, (i) the administrative agent's Base Rate (as defined in the bank credit agreement) in effect from time to time or (ii) the administrative agent's Eurodollar rate (adjusted for reserves) plus 0.75% subject to adjustment based on the Company's long-term debt rating and interest

coverage ratio. The Company is able to borrow up to $1,000.0 million under the Revolving Loan Facility in competitive bid loans at either fixed rates or Eurodollar-based rates as bid by the lenders in the Revolving Loan Facility. The Company pays a commitment fee of 0.25% per annum, subject to adjustment, on the unused portion of the Revolving Loan Facility.

The Company has purchased interest rate caps covering an aggregate notional amount of $1,400.0 million for a period of three years from December 15, 1994. Pursuant to such caps, the Eurodollar rate with reference to which interest on $500.0 million of the Company's variable rate indebtedness is determined is effectively limited to a maximum rate of 8% per annum throughout such three-year period and the Eurodollar rate with reference to which interest on $900.0 million of the Company's variable rate indebtedness is determined is effectively limited to a maximum rate of 7% per annum in the first year of such three-year period, 8% per annum in the second year of such three-year period and 9% per annum thereafter. The Company has also entered into interest rate swap agreements covering an aggregate notional amount of $400.0 million. The Eurodollar rate with reference to which interest on the Company's variable rate indebtedness is determined is effectively converted to a fixed rate of 5.3275% on $100.0 million of borrowings from January 9, 1996 to January 9, 1998, 5.2625% on $100.0 million of borrowings from January 23, 1996 to January 25, 1999, 5.225% on $100.0 million of borrowings from January 18, 1996 to January 18, 1998 and 5.01% on $100.0 million of borrowings from February 12, 1996 to February 12, 1998.

UNSECURED COMMERCIAL PAPER

On January 30, 1997, the Company established a facility for the issuance from time to time of unsecured commercial paper. The maximum principal amount of commercial paper that may be outstanding under the facility at any particular time is $400.0 million. The issuance of commercial paper under the facility will have the effect, while such commercial paper is outstanding, of reducing the Company's borrowing capacity under the Revolving Loan Facility by an amount equal to the principal amount of such commercial paper. As of February 1, 1997, no such commercial paper was outstanding.

SENIOR NOTES

The Senior Notes are unsecured obligations of the Company, are not redeemable at the option of the Company prior to maturity and are not subject to a sinking fund.

MORTGAGES

Certain of the Company's real estate subsidiaries are parties to a mortgage loan facility providing for secured borrowings. Borrowings under the facility will mature in 2002 and bear interest at 9.99% per annum. Borrowings under the facility are secured by liens on certain real property. The outstanding balance under the mortgage loan facility was $345.1 million ($60.5 million included in short-term debt) as of February 1, 1997 and $345.1 million as of February 3, 1996.

In addition to the mortgage indebtedness described above, the Company and certain of its subsidiaries are obligated under certain other mortgage notes, which are secured by liens on certain real property of the Company's subsidiaries. The aggregate principal amount of such mortgage notes was $93.8 million ($8.0 mil-

lion included in short-term debt) as of February 1, 1997 and $118.8 million ($8.2 million included in short-term debt) as of February 3, 1996.

CONVERTIBLE SUBORDINATED NOTES

On September 27, 1995, the Company issued Convertible Subordinated Notes which are unsecured obligations of the Company and are subordinate to all

existing and future Senior Debt of the Company and all indebtedness and other liabilities of the Company's subsidiaries. The Convertible Subordinated Notes mature on October 1, 2003 and bear interest at the rate of 5% per annum from September 27, 1995, payable in arrears on October 1 and April 1 of each year, commencing April 1, 1996.

At any time prior to maturity, unless previously redeemed or repurchased, each holder of Convertible Subordinated Notes will have the right to convert the principal of such holder's Convertible Subordinated Notes into fully-paid and non-assessable shares of Common Stock at the rate of 29.2547 shares of Common Stock for each $1,000 stated principal amount of Convertible Subordinated Notes, provided that such conversion rate will be appropriately adjusted in order to prevent dilution of such conversion right in the event of certain changes in or events affecting the Common Stock and certain consolidations, mergers, sales, leases, transfers, or other dispositions to which the Company is a party. In addition, the Convertible Subordinated Notes will be redeemable at the Company's option, in whole or in part, at anytime on or after October 1, 1998, at specified redemption prices plus accrued interest to the date of redemption. The Convertible Subordinated Notes are not subject to a sinking fund.

SECURED PROMISSORY NOTE

The Secured Promissory Note bears interest at 8.2%, matures in October 2000 and is secured by liens on certain real property and the stock of a special purpose subsidiary of the Company.

NOTE MONETIZATION FACILITY

On May 3, 1988, the Company sold certain divisions for consideration which included a $400.0 million promissory note. The Company subsequently transferred the note to a grantor trust of which it is the beneficiary. The trust borrowed $352.0 million under a note monetization facility, using the note as collateral, and distributed the proceeds of such borrowing to the Company. The borrowing under the note monetization facility matures in two equal installments on May 3, 1997 and 1998, and bears interest at a variable interest rate based on LIBOR, subject to certain adjustments. An interest rate swap agreement was entered into for the note monetization facility which, in effect, converted the variable interest rate to a fixed rate of 10.344%. The Company is not an obligor on the borrowing under the note monetization facility or the interest rate swap agreement, and the lender's recourse thereunder is limited to the trust's assets and the Company's interest in the trust.

RECEIVABLES BACKED COMMERCIAL PAPER

On January 5, 1993, an indirect wholly owned special purpose financing subsidiary of the Company entered into a liquidity facility with a syndicate of banks providing for the issuance of up to $375.0 million of receivables backed commercial paper. Borrowings under the liquidity facility are secured by an interest in the

master trust originated by Prime and are subject to interest rate caps effectively limiting the rate of interest thereon to 10% per annum. As of February 1, 1997 and February 3, 1996 there was $146.0 million and $117.0 million of such commercial paper outstanding, respectively.

OTHER FINANCING ARRANGEMENT

In addition to the financing arrangements discussed above, on January 22, 1997, the Company entered into an arrangement providing for off balance sheet financing of up to $200.0 million of non-proprietary credit card receivables arising under accounts owned by the Company. At February 1, 1997, $103.5 million of borrowings were outstanding under this arrangement.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<TABLE>
<CAPTION>

	FEBRUARY 1,	FEBRUARY 3,

	1997	1996
	(MILLIONS)	
<S>	<C>	<C>
Merchandise and expense accounts payable	$ 1,698.8	$ 1,592.7
Business integration and consolidation expenses	34.2	13.0
Merger related liabilities	46.6	64.4
Taxes other than income taxes	119.5	94.6
Accrued wages and vacation	78.2	81.4
Accrued interest	62.4	64.3
Other	452.5	448.1
	$ 2,492.2	$ 2,358.5

</TABLE>

11. TAXES

Income tax expense is as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997			53 WEEKS ENDED FEBRUARY 3, 1996			52 WEEKS ENDED JANUARY 28, 1995		
	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL
	(MILLIONS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Federal	$176.1	$(30.9)	$145.2	$ 91.1	$ 13.5	$104.6	$ 82.0	$ 31.4	$113.4
State and local	35.9	(5.5)	30.4	19.5	3.2	22.7	21.2	9.1	30.3
	$212.0	$(36.4)	$175.6	$110.6	$ 16.7	$127.3	$103.2	$ 40.5	$143.7

</TABLE>

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, 1997, the 53 weeks ended February 3, 1996 and

the 52 weeks ended January 28, 1995 to income before income taxes. The reasons for this difference and their tax effects are as follows:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
	(MILLIONS)		
<S>	<C>	<C>	<C>
Expected tax	$154.5	$ 70.7	$115.9
State and local income taxes, net of federal income tax expense	19.7	14.7	19.7
Permanent difference arising from amortization of intangible assets	9.5	16.6	7.9
Permanent difference resulting from Broadway acquisition	--	22.7	--
Other	(8.1)	2.6	0.2
	$175.6	$127.3	$143.7

</TABLE>

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

<TABLE>

<CAPTION>

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	(MILLIONS)	
<S>	<C>	<C>
Deferred tax assets:		
Operating loss carryforwards	$ 327.8	$ 417.0
Accrued liabilities accounted for on a cash basis for tax purposes	189.5	160.4
Postretirement benefits other than pensions	179.1	179.5
Capitalized lease debt	31.2	34.6
Allowance for doubtful accounts	38.4	31.7
Alternative minimum tax credit carryforwards	52.7	48.9
Other	147.6	133.8
Total gross deferred tax assets	966.3	1,005.9
Deferred tax liabilities:		
Excess of book basis over tax basis of property and equipment	(1,376.3)	(1,335.7)
Prepaid pension expense	(67.4)	(71.8)
Deferred gain from sale of divisions	(81.6)	(81.6)
Merchandise inventories	(115.3)	(131.6)
Other	(68.1)	(43.8)
Total gross deferred tax liabilities	(1,708.7)	(1,664.5)
Net deferred tax liability	$ (742.4)	$ (658.6)

</TABLE>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred

tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and tax planning strategies in making this assessment. Because tax law limits the use of an acquired enterprise's net operating loss carryforwards to subsequent taxable income of the acquired enterprise in a consolidated tax return for the combined enterprise, management had recorded a valuation allowance of $114.7 million to reflect the estimated amount of deferred tax assets related to Macy's net operating loss carryforwards (the "Macy's NOLs") that may not be realized. During the year ended February 3, 1996, management reassessed the realizability of the Macy's NOLs and determined, based upon the Company's then-current tax planning strategies and other available information, that the portion of the Company's future taxable income attributable to the acquired Macy's enterprise would more likely than not be sufficient to utilize the entire amount of the deferred tax asset related to Macy's NOLs. Consequently, the $114.7 million valuation allowance was eliminated through a reduction in excess of cost over net assets acquired.

As of February 1, 1997, the Company estimated that the Macy's NOLs, which are available to offset future taxable income of the acquired Macy's enterprise through 2008, were approximately $554.7 million and that Broadway's net operating loss carryforwards, which are available to offset future taxable income of the acquired Broadway enterprise through 2009, were approximately $302.6 million. The Company also had alternative minimum tax credit carryforwards of $52.7 million, which are available to reduce future income taxes, if any, over an indefinite period.

In connection with the joint plan of reorganization ("POR") of Federated Stores, Inc. ("FSI"), the former parent of the Company and certain of its subsidiaries, the FSI consolidated tax group (which, with respect to periods prior to February 4, 1992, included the Company and such subsidiaries) triggered certain gains (the "Gains") estimated at approximately $1,800.0 million. The

Company believed that net operating and capital losses ("NOLs") sufficient to offset the Gains were available at the time the Gains were triggered and, accordingly, that the Company would have no regular federal income tax liability in respect thereof and that it had adequately provided for its estimated alternative minimum tax liability. During the year ended January 28, 1995, the Company recorded $75.0 million of tax benefits related to NOLs generated prior to February 4, 1992 and reduced reorganization value in excess of amounts allocable to identifiable assets accordingly. The remaining issues related to the Gains and the POR were resolved on January 5, 1996 and the Company recorded $200.0 million of tax benefits related to such NOLs as a reduction of reorganization value in excess of amounts allocable to identifiable assets.

In connection with their respective reorganization proceedings, the Internal Revenue Service ("IRS") audited the tax returns of the Company and certain of its subsidiaries and the FSI consolidated tax group for tax years 1984 through 1989 and asserted certain claims against the Company and such subsidiaries and other members of the FSI consolidated tax group. All of the issues raised by the IRS audit have been resolved, except for an issue involving the deductibility of approximately $176.3 million of so-called "break-up fees." This issue was resolved in favor of the Company by the Bankruptcy Court for the Southern District of Ohio, the decision of which was affirmed by the United States District Court for the Southern District of Ohio. Thereafter, the IRS filed an appeal of such decision in the United States Court of Appeals for the Sixth Circuit, where such appeal currently is pending. Management believes that the ultimate resolution of this issue will not have a material adverse effect on the Company's financial position or results of operations.

12. RETIREMENT PLANS

The Company has defined benefit plans ("Pension Plans") and defined contribution plans ("Savings Plans") which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has defined benefit supplementary retirement plans which include benefits, for certain employees, in excess of qualified plan limitations. For the 52 weeks ended February 1, 1997, the 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995, net retirement expense for these plans totaled $29.2 million, $21.8 million and $3.0 million, respectively.

Measurements of plan assets and obligations for the Pension Plans and the defined benefit supplementary retirement plans 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 7.75% as of December 31, 1996 and 7.25% as of December 31, 1995. The assumed average rate of increase in future compensation levels under such plans was 5.0% as of December 31, 1996 and December 31, 1995. The long-term rate of return on assets (Pension Plans only) was 9.75% as of December 31, 1996 and December 31, 1995.

Effective January 1, 1997, the Company amended and merged its Pension Plans and supplementary retirement plans and, during the first quarter of fiscal 1997, amended and merged its Savings Plans. These amendments and mergers are not expected to have a material impact on net retirement expense.

PENSION PLANS

Net pension expense (income) for the Company's Pension Plans included the following actuarially determined components:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
		(MILLIONS)	
<S>	<C>	<C>	<C>
Service cost	$ 36.2	$ 31.3	$ 19.9
Interest cost	93.6	82.6	39.9
Actual return on assets	(192.7)	(243.2)	5.1

Net amortization and deferrals.....	74.4	134.5	(73.7)
	$ 11.5	$ 5.2	$ (8.8)

</TABLE>

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1996 and 1995, for the Pension Plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(MILLIONS)	
<S>	<C>	<C>
Net accumulated benefit obligations, including vested benefits of $1,163.6 million and $1,213.2 million, respectively.....	$1,189.6	$1,244.5
Projected compensation increases.....	91.6	97.8
Projected benefit obligations.....	1,281.2	1,342.3
Plan assets (primarily stocks, bonds and U.S. government securities).....	1,468.6	1,363.4
Unrecognized (gain) loss.....	(15.5)	162.9
Unrecognized prior service cost.....	3.9	1.9
Unrecognized net asset.....	--	0.9
	1,457.0	1,529.1
Prepaid pension expense.....	$ 175.8	$ 186.8

</TABLE>

The Company's policy is to fund the Pension Plans at or above the minimum required by law. At December 31, 1996 and 1995, the Company had met the full funding limitation. Plan assets are held by independent trustees.

SUPPLEMENTARY RETIREMENT PLANS

Net pension expense for the supplementary retirement plans included the following actuarially determined components:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
	(MILLIONS)		
<S>	<C>	<C>	<C>
Service cost.....	$ 1.9	$ 1.6	$ 0.8
Prior service cost.....	--	1.1	--
Interest cost on projected benefit obligations.....	4.9	3.0	1.7
Net amortization and deferral.....	.8	0.7	1.0
	$ 7.6	$ 6.4	$ 3.5

</TABLE>

The following table sets forth the projected actuarial present value of unfunded benefit obligations at December 31, 1996 and 1995, for the supplementary retirement plans:

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(MILLIONS)	
<S>	<C>	<C>
Accumulated benefit obligations, including vested benefits of $65.1 million and $68.4 million, respectively	$ 66.1	$ 69.9
Projected compensation increases	9.1	16.1
Projected benefit obligations	75.2	86.0
Unrecognized gain (loss)	6.1	(6.2)
Unrecognized prior service cost	(5.5)	(6.5)
Accrued supplementary retirement obligation	$ 75.8	$ 73.3

</TABLE>

SAVINGS PLANS

The Savings Plans include a voluntary savings feature for eligible employees. For one plan, the Company's contribution is based on the Company's annual earnings and the minimum Company contribution is 20% of an employee's eligible savings. For the other plans, the Company's contribution is based on a percentage of employee savings. Expense for the Savings Plans amounted to $10.1 million for the 52 weeks ended February 1, 1997, $10.2 million for the 53 weeks ended February 3, 1996 and $8.3 million for the 52 weeks ended January 28, 1995.

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 it estimates will be needed for distribution on account of stock credits currently outstanding. At February 1, 1997, February 3, 1996 and January 28, 1995, the liability under the plan, which is reflected in other liabilities, was $11.8 million, $7.5 million and $3.9 million, respectively. Expense for the 52 weeks ended February 1, 1997, the 53 weeks ended February 3, 1996 and the 52 weeks ended January 28, 1995 was immaterial.

13. 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.

Net postretirement benefit expense included the following actuarially determined components:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
	(MILLIONS)		
<S>	<C>	<C>	<C>
Service cost	$ 4.9	$ 5.5	$ 0.7
Interest cost	27.2	28.9	9.1

Net amortization and deferral.....	(6.6)	(6.8)	(5.8)
	$ 25.5	$ 27.6	$ 4.0

</TABLE>

The measurement of the postretirement benefit obligations is calculated as of December 31. The following table sets forth the projected actuarial present value of unfunded postretirement benefit obligations at December 31, 1996 and 1995:

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(MILLIONS)	
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees.....	$280.0	$292.7
Fully eligible active plan participants.....	38.9	47.1
Other active plan participants.....	45.2	56.3
Accumulated postretirement benefit obligation.....	364.1	396.1
Unrecognized net gain.....	69.4	35.5
Unrecognized prior service cost.....	16.0	18.6
Accrued postretirement benefit obligation.....	$449.5	$450.2

</TABLE>

The discount rate used in determining the actuarial present value of unfunded postretirement benefit obligations was 7.75% as of December 31, 1996 and 7.25% as of December 31, 1995.

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 5.5% to 10.5% in the first year, and to decrease gradually for each such component to 5.5% by 2003 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, 1996 by $22.8 million.

14. 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:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997		53 WEEKS ENDED FEBRUARY 3, 1996		52 WEEKS ENDED JANUARY 28, 1995	
	SHARES	GRANT PRICE	SHARES	GRANT PRICE	SHARES	GRANT PRICE
(SHARES IN THOUSANDS)						
Outstanding, beginning of year	7,415.7	$11.625-28.500	6,151.5	$11.625-25.000	3,038.5	$11.625-25.000
Granted	3,057.8	33.125-34.625	2,291.1	19.000-28.500	3,597.4	18.625-23.625
Canceled	(403.9)	15.625-33.125	(435.6)	16.000-23.625	(218.2)	11.625-23.625
Exercised	(929.4)	11.625-25.000	(591.3)	15.625-23.625	(266.2)	11.625-20.875
Outstanding, end of year	9,140.2	$11.625-34.625	7,415.7	$11.625-28.500	6,151.5	$11.625-25.000
Exercisable, end of year	3,136.8	$11.625-28.500	2,750.2	$11.625-25.000	1,904.1	$11.625-25.000

As of February 1, 1997, 6,922,400 shares of Common Stock were available for additional grants pursuant to the Company's equity plan, of which 204,900 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, 1997 or the 53 weeks ended February 3, 1996. During the 52 weeks ended January 28, 1995, 418,000 shares of Common Stock were granted in the form of restricted stock at market values ranging from $18.625-$23.625 with vesting periods ranging from immediate to five years. 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 (see Note 15). There have been no grants of stock appreciation rights under the equity plan.

The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for compensation cost under its equity plan. Had compensation cost for the Company's equity plan been determined consistent with Statement of Financial Accounting Standards No. 123 for options granted subsequent to January 28, 1995, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996
		(MILLIONS, EXCEPT PER SHARE DATA)	
Net income	As Reported	$265.9	$ 74.6
	Pro forma	257.5	71.6
Earnings per share	As Reported	1.28	.39
	Pro forma	1.24	.37

The fair value of each option grant subsequent to January 28, 1995 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, 1997	53 WEEKS ENDED FEBRUARY 3, 1996
Dividend yield	--	--

Expected volatility	25.2%	31.5%
Risk-free interest rate	6.1%	7.0%
Expected life	6 years	6 years

Subsequent to January 28, 1995, option awards have been granted with an exercise price equal to 100% of fair market value at the time of grant, with a 10-year term and vesting either ratably over three or four years or vesting entirely at the end of three or four years. A summary of stock option transactions for stock options granted subsequent to January 28, 1995 is shown below:

	52 WEEKS ENDED FEBRUARY 1, 1997		53 WEEKS ENDED FEBRUARY 3, 1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
(SHARES IN THOUSANDS)				
Outstanding, beginning of year	2,187.9	$21.790	--	$ --
Granted	3,057.8	33.138	2,291.1	21.816
Canceled	(212.5)	28.156	(103.2)	22.375
Exercised	(66.2)	22.375	--	--
Outstanding, end of year	4,967.0	$28.496	2,187.9	$21.790
Exercisable, end of year	334.1	$22.480	--	$ --
Weighted average fair value of options granted during year		$13.037		$ 9.887

The following summarizes information about stock options granted subsequent to January 28, 1995, which remain outstanding as of February 1, 1997:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
	(THOUSANDS)			(THOUSANDS)	
$ 19.000-28.500	2,006.8	8 years	$ 21.647	334.1	$ 22.480
33.125-34.625	2,960.2	9 years	33.139	--	--

15. 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 237.8 million shares of Common Stock issued and 208.0 million shares of Common Stock outstanding at February 1, 1997, 232.4 million shares of Common Stock issued and 202.7 million shares of Common Stock outstanding at February 3, 1996, and 212.2 million shares of Common Stock issued and 182.6 million shares outstanding at January 28, 1995 (with shares held in the Company's treasury or by subsidiaries of the Company being treated as

issued, but not outstanding).

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 out of funds legally available therefor. However, it is not presently anticipated that dividends will be paid on Common Stock in the foreseeable future and certain of the debt instruments to which the Company is a party restrict the payment of dividends.

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 February 4, 2002, unless earlier redeemed by the Company at a redemption price of $.03 per Right (subject to adjustment).

FUTURE STOCK ISSUANCES

The Company is authorized to issue 10.2 million shares of Common Stock (subject to adjustment) upon the conversion of the Convertible Subordinated Notes, 1.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series B Warrants, 9.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series C Warrants, 9.0 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series D Warrants and

0.2 million shares of Common Stock (subject to adjustment) upon the exercise of the Company's Series E Warrants. The warrants have the following terms:

<TABLE>
<CAPTION>

	SHARES PER WARRANT	EXERCISE PRICE	EXPIRATION DATE
<S>	<C>	<C>	<C>
Series B.....	1.047	$35.00	2/15/00
Series C.....	1.000	25.93	12/19/99
Series D.....	1.000	29.92	12/19/01
Series E.....	0.270	17.00	10/08/99

</TABLE>

In addition to the stock options described in Note 14, the Company issued options to purchase 1.5 million shares of Common Stock at prices ranging from $14.81 to $51.85 in connection with the acquisition of Broadway (of which options to purchase 0.6 million shares of Common Stock remained outstanding as of February 1, 1997).

Shareholders' Equity consists of the following:

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996	52 WEEKS ENDED JANUARY 28, 1995
	(MILLIONS)		
<S>	<C>	<C>	<C>
Preferred stock	$ --	$ --	$ --
Common stock:			
Balance, beginning of year	$ 2.3	$ 2.1	$ 1.3
Issuance of common stock	0.1	0.2	0.8
Balance, end of year	2.4	2.3	2.1
Additional paid-in capital:			
Balance, beginning of year	4,268.4	3,711.3	1,975.7
Issuance of common stock	131.3	557.1	1,617.7
Issuance of warrants	--	--	118.4
Cancellation of treasury stock	--	--	(0.5)
Balance, end of year	4,399.7	4,268.4	3,711.3
Unearned restricted stock:			
Balance, beginning of year	(3.2)	(8.5)	(4.1)
Cancellation (issuance) of common stock	0.2	0.7	(7.1)
Amortization	1.9	4.6	2.7
Balance, end of year	(1.1)	(3.2)	(8.5)
Treasury stock:			
Balance, beginning of year	(562.2)	(559.1)	(0.9)
Additions	(4.3)	(3.1)	(558.7)
Deductions	0.4	--	--
Cancellations	--	--	0.5
Balance, end of year	(566.1)	(562.2)	(559.1)
Accumulated equity:			
Balance, beginning of year	568.4	493.8	306.2
Net income	265.9	74.6	187.6
Balance, end of year	834.3	568.4	493.8
Total shareholders' equity	$4,669.2	$4,273.7	$3,639.6

</TABLE>

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

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED FEBRUARY 3, 1996
	(THOUSANDS)	
<S>	<C>	<C>
Balance, beginning of year	29,728.9	29,604.7
Additions:		
Restricted stock	41.9	40.8

Deferred compensation plan.....	90.6	83.4
Distributions from deferred compensation plan.....	(18.9)	--
Balance, end of year.....	29,842.5	29,728.9

</TABLE>

In connection with the acquisition of Macy's, 29.5 million shares were issued to wholly owned subsidiaries of the Company and are reflected as treasury shares in the Consolidated Financial Statements. Additions to treasury stock for restricted stock represent shares accepted in lieu of cash to cover employee tax liability upon lapse of restrictions. Under the deferred compensation plan, shares are maintained in a trust to cover the number estimated to be needed for distribution on account of stock credits currently outstanding.

16. 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.

Other assets

Other assets primarily represent investments in joint ventures accounted for on the equity basis. Based on recent appraisals, the carrying value of such investments approximates their fair value.

Long-term debt

The fair values of the Company's long-term debt 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 to terminate the agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The interest rate swap agreements pertain to the note monetization and working capital facilities and, although currently in net payable positions, management intends to hold these agreements to their maturity dates.

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

<TABLE>
<CAPTION>

	FEBRUARY 1, 1997		FEBRUARY 3, 1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Cash and short-term investments.....	$ 148.8	$ 148.8	$ 172.5	$ 172.5
Notes receivable.....	204.4	203.3	415.1	422.3
Other assets.....	16.9	16.9	30.4	30.4
Long-term debt.....	4,532.7	4,702.6	5,551.1	5,747.3
Interest rate cap agreements.....	7.5	0.2	15.8	0.8
Interest rate swap agreements.....	--	(8.3)	--	(30.9)

</TABLE>

The estimated fair values and related unrecognized loss of the Company's interest rate cap and swap agreements are as follows:

<TABLE>
<CAPTION>

			FEBRUARY 1, 1997			FEBRUARY 3, 1996		
NOTIONAL AMOUNT	RATE	TERM	CARRYING VALUE	FAIR VALUE	UNRECOGNIZED GAIN (LOSS)	CARRYING VALUE	FAIR VALUE	UNRECOGNIZED GAIN (LOSS)
			(MILLIONS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Rate Caps:								
$500.0	8%	12/15/94 to 12/15/97	$2.2	$ --	$ (2.2)	$4.7	$ 0.1	$ (4.6)
$900.0	7%	12/15/94 to 12/15/95						
	8%	12/15/95 to 12/15/96						
	9%	12/15/96 to 12/15/97	3.6	--	(3.6)	7.8	0.1	(7.7)
$375.0	10%	02/03/95 to 01/03/01	1.5	0.2	(1.3)	3.0	0.4	(2.6)
$ 38.5	11%	01/20/95 to 03/15/98	--	--		0.1	0.1	--
$ 38.5	11%	01/20/95 to 03/15/00	0.2	--	(0.2)	0.2	0.1	(0.1)
Interest Rate Swaps:								
$352.0	9.9440%	$176.0 to 5/3/97 and $176.0 to 5/3/98	--	(11.7)	(11.7)	--	(29.9)	(29.9)
$100.0	5.3275%	1/9/96 to 1/9/98	--	0.5	0.5	--	(0.5)	(0.5)
$100.0	5.2625%	1/23/96 to 1/25/99	--	1.5	1.5	--	(0.2)	(0.2)
$100.0	5.2250%	1/18/96 to 1/18/98	--	0.5	0.5	--	(0.3)	(0.3)
$100.0	5.0100%	2/12/96 to 2/12/98	--	0.9	0.9	--	--	--

</TABLE>

The interest rate cap agreements in effect at February 1, 1997 are used to hedge interest rate risk related to variable rate indebtedness under the Company's bank credit facility and receivables backed commercial paper program, as well as certain asset-backed certificates. These interest rate cap agreements are recorded at cost and are amortized on a straight-line basis over the life of the cap.

The interest rate swap agreements described in the foregoing table relate to the note monetization and bank credit facilities. The note monetization facility bears interest based on LIBOR, subject to certain adjustments. The interest rate swap agreement for the note monetization facility effectively converts this variable rate debt (LIBOR plus 0.40%) to a fixed rate of 10.344% (9.944% fixed rate plus 0.40%). The trust that is the borrower under the note monetization facility receives fixed-rate interest on the promissory note constituting such trust's principal asset. The other interest rate swap agreements are used, in effect, to fix the interest on a portion of the debt outstanding under the bank credit facilities.

Commitments to extend credit under revolving agreements relate primarily to the aggregate unused credit limits and unused lines of credit for 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 trade receivables. The Company places its temporary cash investments in what it believes to be high credit quality financial instruments. Credit risk with respect to trade receivables 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.

17. QUARTERLY RESULTS (UNAUDITED)

Unaudited quarterly results for the 52 weeks ended February 1, 1997 and the 53 weeks ended February 3, 1996, were as follows:

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(MILLIONS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
52 Weeks Ended February 1, 1997:				
Net sales	$3,300.7	$3,284.2	$3,609.1	$5,035.0
Operating income	55.3	75.8	187.3	574.8
Net income (loss)	(37.9)	(27.2)	41.8	289.2
Earnings (Loss) per share	(.18)	(.13)	.20	1.39
Fully diluted earnings (loss) per share	(.18)	(.13)	.20	1.32
53 Weeks Ended February 3, 1996:				
Net sales	$2,988.0	$3,047.2	$3,748.4	$5,264.9
Operating income	10.8	1.8	105.0	545.3
Net income (loss)	(57.0)	(66.9)	(46.4)	244.9
Earnings (Loss) per share	(.31)	(.37)	(.24)	1.21
Fully diluted earnings (loss) per share	(.31)	(.36)	(.23)	1.15

</TABLE>

Exhibit 10.1.3

AMENDMENT NO. 4 TO THE CREDIT AGREEMENT

Dated as of September 9, 1996

AMENDMENT NO. 4 TO THE CREDIT AGREEMENT among Federated Department Stores, Inc., a Delaware corporation (the "BORROWER"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "LENDER PARTIES"), Citibank, N.A., as administrative agent (the "ADMINISTRATIVE AGENT") for the Lender Parties and The Chase Manhattan Bank, N.A. (formerly known as Chemical Bank), as agent (the "AGENT").

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lender Parties, the Administrative Agent and the Agent have entered into a Credit Agreement dated as of December 19, 1994 (such Credit Agreement, as amended, supplemented or otherwise modified through the date hereof, the "CREDIT AGREEMENT"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Borrower and the Required Lenders have agreed to further amend the Credit Agreement as hereinafter set forth.

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 below, hereby amended as follows:

(a) Section 2.03(a) is hereby amended by deleting all of the first proviso through the number "$50,000,000." and substituting therefor a new proviso to read as follows:

> "PROVIDED that (x) such Competitive Bid Borrowing shall not exceed an amount equal to the aggregate Unused Working Capital Commitments of the Lenders in effect immediately prior to giving effect to such Competitive Bid Borrowing LESS (I) the Documentary L/C Amount at such time and (II) the aggregate amount of outstanding commercial paper permitted pursuant to Section 5.02(b)(i)(F) and (y) following the making of each Competitive Bid Borrowing, the aggregate amount of the Competitive Bid Advances of all Lenders then outstanding plus the aggregate amount of outstanding commercial paper permitted pursuant to Section 5.02(b)(i)(F) shall not exceed $1,000,000,000.".

(b) Section 2.03(a)(ii) is hereby amended by deleting the phrase ", subject to the proviso to the first sentence of this Section 2.03(a),".

(c) Section 2.03 is hereby further amended by adding, immediately following each occurrence of the phrase "Competitive Bid Note" the phrase ", if any,".

(d) Section 2.08(a) is amended by deleting the phrase "and, thereafter, quarterly on the last Business Day of each March, June, September and December, and on the Termination Date;" occurring immediately before the first proviso, and substituting therefor the following:

"and thereafter calculated for the quarterly period ending on the last Business

Day of each March, June, September and December and payable in

arrears on the fifth Business Day following each such period, and payable in arrears on the Termination Date;".

(e) Section 2.08(b) is amended in full to read as follows:

"(b) UTILIZATION FEE. During each Non-Investment Grade Period, for each day on which the sum of the aggregate outstanding Advances PLUS the aggregate Available Amount of outstanding Letters of Credit PLUS the aggregate Available Amount of outstanding Documentary L/Cs PLUS the aggregate amount of outstanding commercial paper permitted pursuant to Section 5.02(b)(i)(F) exceeds 50% of the sum of (i) the Term Commitments on such day PLUS (ii) the Working Capital Commitments on such day, the Borrower shall pay to the Administrative Agent for the account of each Lender (other than the Designated Bidders) a utilization fee on the sum of such Lender's Pro Rata Share of the aggregate amount of the Advances outstanding PLUS such Lender's Pro Rata Share of the aggregate Available Amount of all outstanding Standby Letters of Credit at the rate of 0.25% per annum, payable in arrears on March 31, 1995, and thereafter calculated for the quarterly period ending on the last Business Day of each March, June, September and December and payable in arrears on the fifth Business Day following each such period, and payable in arrears on the Termination Date; PROVIDED, HOWEVER, that any utilization fee accrued with respect to any Defaulting Lender's Pro Rata Share of the Advances during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such utilization fee shall otherwise have been due and payable by the Borrower prior to such time; and PROVIDED FURTHER that no utilization fee shall accrue with respect to any Defaulting Lenders' Pro Rata Share of the Advances of so long as such Lender shall be a Defaulting Lender."

(f) Section 2.14(f)(i) is amended by deleting from the end thereof the phrase "in each case payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing March 31, 1995, and on the Termination Date." and substituting for such phrase the following:

"payable in arrears on March 31, 1995, and thereafter calculated for the quarterly period ending on the last Business Day of each March, June, September and December and payable in arrears on the fifth Business Day following each such period, and payable in arrears on the Termination Date;".

(g) Article II is further amended by adding thereto a new Section 2.17, to read as follows:

"SECTION 2.17. EVIDENCE OF DEBT. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Administrative Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Note, payable to the order of such Lender in a principal amount equal to the Commitment of

such Lender; PROVIDED, HOWEVER, that, notwithstanding anything to the contrary contained in this Agreement, the execution and delivery of such Note shall not be a condition precedent to the making of any Advance under this Agreement.

(b) The Register maintained by the Administrative Agent pursuant to Section 8.07 shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances

comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof.

(c) Notwithstanding anything to the contrary contained in this Agreement, entries made in good faith by the Administrative Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; PROVIDED, HOWEVER, that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.".

(h) Section 3.02(a)(iii) is hereby amended by deleting the semicolon at the end thereof and substituting therefor the following:

"and LESS the aggregate amount of outstanding commercial paper permitted pursuant to Section 5.02(b)(i)(F);".

(i) Section 3.03(d) is hereby amended by deleting the period at the end thereof and substituting therefor the following:

"and LESS the aggregate amount of outstanding commercial paper permitted pursuant to Section 5.02(b)(i)(F).".

(j) Section 5.02(b)(i) is hereby amended by (x) deleting the word "and" at the end of clause (E) thereof and (y) adding to the end thereof new subsections (F) and (G) to read as follows:

"(F) unsecured Debt consisting of commercial paper issued in the ordinary course of business and aggregating at any time outstanding not more than the lesser of $400,000,000 and the amount of Unused Working Capital Commitments of the Working Capital Lenders at such time; and

(G) any Debt extending the maturity of, or refunding or refinancing, in whole or in part, (I) any Debt permitted pursuant to subsection (C), (D) or (E) of this Section 5.02(b)(i) or (II) any extension, refunding or refinancing of such Debt permitted pursuant to this subsection (G); PROVIDED that the terms (including, without limitation, principal amount, interest rate, limitations on liens, if any and subordination terms, if any) taken as a whole of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable to the

Loan Parties or the Lender Parties, as determined by the Administrative Agent in its reasonable discretion, than the terms governing the Debt so extended, refunded or refinanced (PROVIDED that no unsecured Debt shall be refunded or refinanced by secured Debt); PROVIDED, HOWEVER, that any such refunding or refinancing Debt may provide for an earlier maturity than the Debt being so refunded or refinanced so long as such earlier maturity is no earlier than six months after the Termination Date; PROVIDED FURTHER that the principal amount of such Debt permitted pursuant to this Section 5.02(b)(i)(G) shall not be increased above the principal amount of Debt outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing; and".

(k) Section 5.02(b)(iii)(D) is amended by deleting the phrase "any Surviving Debt;" immediately before the first proviso and substituting for such phrase the following:

"(I) any Surviving Debt or (II) any extension, refunding or refinancing of such Surviving Debt which extension, refunding or refinancing was effected in accordance with this subsection (D);".

(l) Section 8.07(e) is amended by deleting the third and fourth sentences thereof in full.

SECTION 2. CONDITIONS OF EFFECTIVENESS. This Amendment shall become effective as of the date first above written when, and only when, on or before September 9, 1996 (or such later date as the Administrative Agent and the Borrower shall agree), the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders and each of the consents attached hereto executed by each Guarantor and each Pledgor, as applicable. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE LOAN DOCUMENTS. (a) On and after the effectiveness of this 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 any outstanding 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 Amendment.

(b) The Credit Agreement, any outstanding Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 4. EXECUTION IN COUNTERPARTS. This 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 Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 5. GOVERNING LAW. This Amendment 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 Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior VP and Treasurer

CITIBANK, N.A.,
as Administrative Agent and as Lender

By: /s/ Allen Fisher

Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK, N.A.
(formerly known as Chemical Bank), as
Agent and as Lender

By: /s/ Ellen L. Gertzog

Name: Ellen L. Gertzog
Title: Vice President

ALLIED IRISH BANKS, PLC

By: /s/ William I. Strickland

Name: William I. Strickland
Title: Senior Vice President

By: /s/ Marcia Meeker

Name: Marcia Meeker
Title: Vice President

AERIES FINANCE LTD.

By: /s/ Andreian Wignall

Name: Andreian Wignall
Title: Director

ARAB BANK PLC, GRAND CAYMAN

By: /s/

Name:
Title: EVP/Branch Manager

ARAB BANKING CORPORATION

By: /s/ Sheldon Tilney

Name: Sheldon Tilney
Title: Deputy General Manager

THE ASAHI BANK, LTD.

By: /s/

Name:
Title:

PT. BANK NEGARA INDONESIA (PERSERO)

By: /s/Debra Sothapa

Name: Debra Sothapa
Title: General Manager

BANK OF AMERICA ILLINOIS

By: /s/ M A Detrick

Name: M A Detrick
Title: Vice President

BANK OF IRELAND

By: /s/ Paddy Dowling

Name: Paddy Dowling
Title: Account Manager

BANK OF MONTREAL

By: /s/ Thomas H. Peer

Name: Thomas H. Peer
Title: Director

THE BANK OF NEW YORK

By: /s/ Paula DiPonzio

Name: Paula DiPonzio
Title: Vice President

BANK ONE, COLUMBUS, N.A.

By: /s/ Wendy C. Mayhew

Name: Wendy C. Mayhew
Title: Vice President

BANK POLSKA OPIEKI, S.A.

By: /s/

Name:
Title:

BANK OF SCOTLAND

By: /s/ Catherine M. Oniferey

Name: Catherine M. Oniferey
Title: Vice President

THE BANK OF TOKYO - MITSUBISHI LTD.

By: /s/ Minoru Wada

Name: Minoru Wada
Title: Deputy General Manager

BANQUE PARIBAS

By: /s/ Mary T. Finnegan
Name: Mary T. Finnegan
Title: Group Vice President

By: /s/ Ann C. Pifer
Name: Ann C. Pifer
Title: Vice President

BEAR STEARNS & CO. INC.

By: /s/

Name:
Title:

BERLINER HANDELS-UND FRANKFURTER
BANK (n/k/a BHF-Bank AG)

By: /s/ John Sykes

Name: John Sykes
Title: Assistant Vice President

By: /s/ Robert Scehnholz

Name: Robert Scehnholz
Title: Assistant General Manager/Senior
Vice President

CAISSE NATIONALE DE CREDIT AGRICOLE

By: /s/ Alain Butzbach

Name: Alain Butzbach
Title: Executive Vice President/Deputy General
Manager - USA

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ John J. Mack

Name: John J. Mack
Title: Authorized Signatory

CAPTIVA FINANCE LTD.

By: /s/ Elizabeth Kearns

Name: Elizabeth Kearns
Title: Director

CERES FINANCE

By: /s/ Elizabeth Kearns

Name: Elizabeth Kearns
Title: Director

THE CHASE MANHATTAN BANK, N.A.

By: /s/

Name:
Title:

By: /s/

Name:
Title:

CITICORP SECURITIES, INC.

By: /s/

Name:

Title:

COMERICA BANK

By: /s/ Hugh G. Porter

Name: Hugh G. Porter
Title: Vice President

CREDIT LYONNAIS CAYMAN ISLAND BRANCH

By: /s/

Name:
Title:

CREDIT SUISSE

By: /s/ Chris T. Horgan

Name: Chris T. Horgan
Title: Associate

DEUTSCHE BANK AG NEW YORK
AND/OR CAYMAN ISLAND BRANCHES

By: /s/ David H. Kahn

Name: David H. Kahn
Title: Assistant Vice President

By: /s/ James Fox

Name: James Fox
Title: Assistant Vice President

COMMERZBANK AKTIENGESELLSCHAFT
GRAND CAYMAN BRANCH

By: /s/ Mark Monson

Name: Mark Monson
Title: Vice President

By: /s/ Dr. Helmut R. Tollner

Name: Dr. Helmut R. Tollner
Title: Executive Vice President

THE FIFTH THIRD BANK

By: /s/ Robert C. Ries

Name: Robert C. Ries
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Rod Guinn

Name: Rod Guinn
Title: Director

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Paul E. Rigby

Name: Paul E. Rigby
Title: Managing Director

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Andrew W. Fish

Name: Andrew W. Fish
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Kathleen Dimock

Name: Kathleen Dimock
Title: Assistant Vice President

THE FUJI BANK, LIMITED, NEW YORK BRANCH

By: /s/ Teiji Teramoto

Name: Teiji Teramoto
Title: Vice President and Manager

GULF INTERNATIONAL BANK

By: /s/ Abdel-Fattah Tahoun

Name: Abdel-Fattah Tahoun
Title: Senior Vice President

By: /s/ Thomas E. Fitzherbert

Name: Thomas E. Fitzherbert
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LTD.

By: /s/ Junri Oda

Name: Junri Oda
Title: Senior Vice President and Senior Manager

ING CAPITAL ADVISORS, INC.

By: /s/ Kathleen A. Lenarcic

Name: Kathleen A. Lenarcic
Title: Vice President & Portfolio Manager

INTERNATIONALE NEDERLANDEN BANK (U.S.) CAPITAL CORP.

By: /s/ Joan M. Chiappe

Name: Joan M. Chiappe
Title: Vice President

LEHMAN COMMERCIAL PAPER

By: /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

MELLON BANK, N.A.

By: /s/ Manbeth Donnely

Name: Manbeth Donnely
Title: Vice President

MERITA BANK, LTD.

By: /s/

Name:
Title:

MERRILL LYNCH PRIME RATE PORTFOLIO
By: Merrill Lynch Asset Management, L.P.,
as Investment Advisor

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

MERRILL LYNCH SENIOR FLOATING RATE
FUND, INC.

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

SENIOR HIGH INCOME PORTFOLIO, INC.

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

MITSUBISHI TRUST

By: /s/ Hachiro Hosoda

Name: Hachiro Hosoda
Title: Senior Vice President

THE MITSUI TRUST & BANKING CO., LTD.

By: /s/ Margaret Holloway

Name: Margaret Holloway
Title: Vice President and Manager

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/

Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By: /s/ Phillip Knoll

Name: Phillip Knoll
Title: Vice President

NATIONSBANK, N.A.

By: /s/ Philip S. Durand

Name: Philip S. Durand
Title: Vice President

THE NIPPON CREDIT BANK, LTD.

By: /s/ Barry S. Fein

Name: Barry S. Fein
Title: Assistant Vice President

PNC BANK, OHIO, NATIONAL ASSOCIATION

By: /s/ Bruce A. Kintner

Name: Bruce A. Kintner
Title: Vice President

PROSPECT STREET SENIOR PORTFOLIO, L.P.
By Prospect Street Senior Loan Corp.

By: /s/ Paula M. St. Amand

Name: Paula M. St. Amand
Title: Assistant Secretary

RESTRUCTURED OBLIGATIONS BACKED BY
SENIOR ASSETS B.V.
By: Chancellor Senior Secured Management, Inc.
as Portfolio Advisor

By: /s/ Christopher E. Jansen

Name: Christopher E. Jansen
Title: Managing Director

STICHTING RESTRUCTURED OBLIGATIONS
BACKED BY SENIOR ASSETS2 (ROSA2)
By: Chancellor Senior Secured Management, Inc.
as Portfolio Advisor

By: /s/ Christopher E. Jansen

Name: Christopher E. Jansen
Title: Managing Director

THE SANWA BANK, LIMITED, NEW YORK BRANCH

By: /s/ Jean-Michael Fatovu

Name: Jean-Michael Fatovu
Title: Vice President

SENIOR DEBT PORTFOLIO

By Boston Management and Research,

as Investment Advisor

By: /s/ Barbara Campbell

Name: Barbara Campbell
Title: Assistant Treasurer

SOCIETE GENERALE

By: /s/ Eric E.O. Siebert, Jr.

Name: Eric E.O. Siebert, Jr.
Title: Corporate Banking Manager

SOCIETY NATIONAL BANK

By: /s/

Name:
Title:

STAR BANK, N.A.

By: /s/ Douglas V. Wyatt

Name: Douglas V. Wyatt
Title: Vice President

STRATA FUNDING

By: /s/ Elizabeth Kearns

Name: Elizabeth Kearns
Title: Director

THE SUMITOMO BANK, LTD. NEW YORK BRANCH

By: /s/

Name:
Title:

THE SUMITOMO TRUST & BANKING
CO., LTD., NEW YORK BRANCH

By: /s/ Suraj P. Bhatia

Name: Suraj P. Bhatia
Title: Senior Vice President

SUNTRUST BANK
CENTRAL FLORIDA, N.A.

By: /s/ J. Carol Doyle

Name: J. Carol Doyle
Title: First Vice President

TORONTO-DOMINION BANK

By: /s/

Name:
Title:

THE TRAVELER'S INSURANCE COMPANY

By: /s/

Name:
Title:

UNION BANK OF CALIFORNIA

By: /s/ Timothy P. Sterb

Name: Timothy P. Sterb
Title: Vice President

VAN KAMPEN AMERICAN CAPITAL PRIME RATE INCOME TRUST

By: /s/ Brian W. Good

Name: Brian W. Good
Title: Vice President

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/ Michael Ripps

Name: Michael Ripps
Title: Assistant Vice President

BANKERS TRUST

By: /s/

Name:
Title:

CONSENT

Dated as of September 9, 1996

Each of the undersigned, as a Guarantor under the Guaranty dated as of December 19, 1994 (the "GUARANTY") in favor of the Administrative Agent, for its benefit and the benefit of the Lender Parties party to the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that notwithstanding the effectiveness of such Amendment, the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment.

BLOOMINGDALE'S, INC.
BLOOMINGDALE'S BY MAIL LTD.
THE BON, INC.
BROADWAY STORES, INC.
BULLOCK'S, INC.
BURDINES, INC.
FEDERATED REAL ESTATE, INC.
FEDERATED RETAIL HOLDINGS, INC.
LAZARUS, INC.
LAZARUS PA, INC.
MACY'S CLOSE-OUT, INC.

MACY'S EAST, INC.
MACY'S REAL ESTATE, INC.
MACY'S SPECIALTY STORES, INC.
MACY'S WEST, INC.
RICH'S DEPARTMENT STORES, INC.
STERN'S DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention: Chief Financial Officer
(with a copy to General Counsel)

CONSENT

Dated as of September 9, 1996

Each of the undersigned, as a Pledgor under the Security Agreement dated as of December 19, 1994 (the "SECURITY AGREEMENT") in favor of the Administrative Agent, for its benefit and the benefit of the Lender Parties party to the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that (a) notwithstanding the effectiveness of such Amendment, the Security Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Security Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) the Collateral Documents to which such Pledgor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention: Chief Financial Officer
(with a copy to General Counsel)

FEDERATED RETAIL HOLDINGS, INC.

By: /s/ Karen M. Hoguet

Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention: Chief Financial Officer
(with a copy to General Counsel)

Exhibit 10.1.4

AMENDMENT NO. 5 TO THE CREDIT AGREEMENT

Dated as of January 6, 1997

AMENDMENT NO. 5 TO THE CREDIT AGREEMENT among Federated Department Stores, Inc., a Delaware corporation (the "BORROWER"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "LENDER PARTIES"), Citibank, N.A., as administrative agent (the "ADMINISTRATIVE AGENT") for the Lender Parties and The Chase Manhattan Bank, N.A. (formerly known as Chemical Bank), as agent (the "AGENT").

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lender Parties, the Administrative Agent and the Agent have entered into a Credit Agreement dated as of December 19, 1994 (such Credit Agreement, as amended, supplemented or otherwise modified through the date hereof, the "CREDIT AGREEMENT"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Borrower and the Required Lenders have agreed to further amend the Credit Agreement as hereinafter set forth.

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 below, hereby amended as follows:

(a) The definition of "RECEIVABLES FINANCING FACILITY" contained in Section 1.01 is hereby amended by inserting immediately after the words "replacement thereof" occurring in the second line of such definition, the phrase "or other receivables financing".

(b) Section 5.02(d)(v) is hereby amended by deleting the phrase "substantially as conducted on the date hereof" occurring in the third line thereof.

SECTION 2. CONDITIONS OF EFFECTIVENESS. This Amendment shall become effective as of the date first above written when, and only when, on or before January 15, 1997 (or such later date as the Administrative Agent and the Borrower shall agree), the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders and each of the consents attached hereto executed by each Guarantor and each Pledgor, as applicable. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE LOAN DOCUMENTS. (a) On and after the effectiveness of this 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 any outstanding 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 Amendment.

(b) The Credit Agreement, any outstanding Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the

generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of

any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 4. EXECUTION IN COUNTERPARTS. This 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 Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 5. GOVERNING LAW. This Amendment 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 Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President and Treasurer

CITIBANK, N.A.,
as Administrative Agent and as Lender

By: /s/ Allen Fisher

Name: Allen Fisher
Title: Vice President

THE CHASE MANHATTAN BANK, N.A.
(formerly known as Chemical Bank), as
Agent and as Lender

By: /s/ Ellen L. Gertzog

Name: Ellen L. Gertzog
Title: Vice President

ALLIED IRISH BANKS, PLC

By: /s/ William I. Strickland

Name: William I. Strickland
Title: Senior Vice President

By: /s/ Marcia Meeker

Name: Marcia Meeker
Title: Vice President

AERIES FINANCE LTD.

By: /s/

Name:
Title:

ARAB BANK PLC, GRAND CAYMAN

By: /s/

Name:
Title:

ARAB BANKING CORPORATION

By: /s/ Grant E. McDonald

Name: Grant E. McDonald
Title: Vice President

THE ASAHI BANK, LTD.

By: /s/

Name:
Title:

PT. BANK NEGARA INDONESIA (PERSERO)

By: /s/Debra Sothapa

Name: Debra Sothapa
Title: General Manager

BANK OF AMERICA ILLINOIS

By: /s/ M A Detrick

Name: M A Detrick
Title: Vice President

BANK OF IRELAND

By

Name:
Title:

BANK OF MONTREAL

By: /s/ Thomas H. Peer

Name: Thomas H. Peer
Title: Director

THE BANK OF NEW YORK

By: /s/ Paula DiPonzio

Name: Paula DiPonzio
Title: Vice President

BANK ONE, COLUMBUS, N.A.

By: /s/ Wendy Mayhew Kephart

Name: Wendy Mayhew Kephart
Title: Vice President

BANK POLSKA KASA OPIEKI, S.A.,
NEW YORK BRANCH

By: /s/ Hussein B. El-Tawil

Name: Hussein B. El-Tawil
Title: Vice President

BANK OF SCOTLAND

By: /s/ Catherine M. Oniferey

Name: Catherine M. Oniferey
Title: Vice President

THE BANK OF TOKYO - MITSUBISHI LTD.

By: /s/ Noboru Kobayashi

Name: Noboru Kobayashi
Title: Deputy General Manager

BANKERS TRUST

By

Name:
Title:

BANQUE PARIBAS

By: /s/ Mary T. Finnegan

Name: Mary T. Finnegan
Title: Group Vice President

By: /s/ Heather Zimmermann

Name: Heather Zimmermann
Title: Assistant Vice President

BARCLAYS BANK PLC

By: /s/ Paresh Kanaw

Name: Paresh Kanaw
Title: Associate Director

BEAR STEARNS & CO. INC.

By: /s/

Name:
Title:

BHF BANK AKTIENGESELLSCHAFT
Grand Cayman Branch
(f/k/a Berliner Handels-Und Frankfurter Bank)

By: /s/ John Sykes

Name: John Sykes
Title: Assistant Vice President

By: /s/ Evon Contos

Name: Evon Contos
Title: Vice President

CAISSE NATIONALE DE CREDIT AGRICOLE

By: /s/ David Bouhl

Name: David Bouhl
Title: Head of Corporate Banking - Chicago

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/ Cheryl L. Root

Name: Cheryl L. Root
Title: Director, CIBC Wood Gundy Securities Corp., as Agent

CAPTIVA FINANCE LTD.

By: /s/

Name:
Title:

CERES FINANCE LTD.

By: /s/

Name:
Title:

THE CHASE MANHATTAN BANK

By: /s/ Ellen L. Gertzog

Name: Ellen L. Gertzog
Title: Vice President

CITICORP SECURITIES, INC.

By: /s/ Allen Fisher

Name: Allen Fisher
Title: Vice President

COMERICA BANK

By: /s/ Hugh G. Porter

Name: Hugh G. Porter
Title: Vice President

COMMERZBANK AKTIENGESELLSCHAFT,
GRAND CAYMAN BRANCH

By: /s/ Mark Monson

Name: Mark Monson
Title: Vice President

By: /s/ William J. Binder

Name: William J. Binder
Title: Assistant Vice President

CREDIT LYONNAIS CAYMAN ISLAND BRANCH

By: /s/

Name:
Title:

CREDIT SUISSE

By: /s/

Name:
Title:

DEUTSCHE BANK AG NEW YORK
AND/OR CAYMAN ISLAND BRANCHES

By: /s/ David H. Kahn

Name: David H. Kahn
Title: Assistant Vice President

By: /s/ Jean Hannigan

Name: Jean Hannigan
Title: Vice President

DLJ CAPITAL FUNDING, INC.

By: /s/ Stephen P. Hickey

Name: Stephen P. Hickey
Title: Managing Director

THE FIFTH THIRD BANK

By: /s/ Robert C. Ries

Name: Robert C. Ries
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: /s/

Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ Tara W. Clark

Name: Tara W. Clark
Title: Vice President

THE FIRST NATIONAL BANK OF MARYLAND

By: /s/ Clinton S. Lucas

Name: Clinton S. Lucas
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Richard Seafert

Name: Richard Seafert
Title: Vice President

FLEET BANK N.A.

By: /s/ Richard Seafert

Name: Richard Seafert
Title: Vice President

THE FUJI BANK, LIMITED, NEW YORK BRANCH

By: /s/ Teiji Teramoto

Name: Teiji Teramoto
Title: Vice President and Manager

GULF INTERNATIONAL BANK

By: /s/ Abdel-Fattah Tahoun

Name: Abdel-Fattah Tahoun
Title: Senior Vice President

By: /s/ Thomas E. Fitzherbert

Name: Thomas E. Fitzherbert
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LTD.

By: /s/ Takuya Honjo

Name: Takuya Honjo
Title: Senior Vice President

INTERNATIONALE NEDERLANDEN BANK (U.S.) CAPITAL CORP.

By: /s/

Name:
Title:

KEYBANK NATIONAL ASSOCIATION

By: /s/

Name:
Title:

LEHMAN COMMERCIAL PAPER

By: /s/

Name:
Title:

MELLON BANK, N.A.

By: /s/ Joan W. Bird

Name: Joan W. Bird
Title: Vice President

MERITA BANK, LTD.

By: /s/

Name:
Title:

MERRILL LYNCH PRIME RATE PORTFOLIO
By: Merrill Lynch Asset Management, L.P.,
as Investment Advisor

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

SENIOR HIGH INCOME PORTFOLIO, INC.

By: /s/ Gilles Marchand

Name: Gilles Marchand, CFA
Title: Authorized Signatory

MITSUBISHI TRUST

By: /s/ Patricia Loret De Mola

Name: Patricia Loret De Mola
Title: Senior Vice President

THE MITSUI TRUST & BANKING CO., LTD.

By: /s/ Margaret Holloway

Name: Margaret Holloway
Title: Vice President and Manager

MS SENIOR FUNDING, INC.

By: /s/

Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By: /s/ W. Wakefield Smith

Name: W. Wakefield Smith
Title: Vice President

NATIONSBANK, N.A.

By: /s/ Michael D. McKay

Name: Michael D. McKay
Title: Senior Vice President

THE NIPPON CREDIT BANK, LTD.

By: /s/ Barry S. Fein

Name: Barry S. Fein
Title: Assistant Vice President

PNC BANK, OHIO, NATIONAL ASSOCIATION

By: /s/ Bruce A. Kintner

Name: Bruce A. Kintner
Title: Vice President

RESTRUCTURED OBLIGATIONS BACKED BY
SENIOR ASSETS B.V.
By: Chancellor LGT Senior Secured Management, Inc.
as Portfolio Advisor

By: /s/ Stephen M. Alfieri

Name: Christopher E. Jansen
Title: Managing Director

STICHTING RESTRUCTURED OBLIGATIONS
BACKED BY SENIOR ASSETS2 (ROSA2)
By: Chancellor LGT Senior Secured Management, Inc.
as Portfolio Advisor

By: /s/ Stephen M. Alfieri

Name: Stephen M. Alfieri
Title: Managing Director

THE SANWA BANK, LIMITED, NEW YORK BRANCH

By: /s/ Jean-Michel Fatovic

Name: Jean-Michel Fatovic
Title: Vice President

SENIOR DEBT PORTFOLIO
By Boston Management and Research, as
Investment Advisor

By: /s/ Payson F. Swaffield

Name: Payson F. Swaffield
Title: Vice President

SOCIETE GENERALE

By: /s/ E. Bellaiche

Name: E. Bellaiche
Title: Vice President

STAR BANK, N.A.

By: /s/ William J. Goodwin

Name: William J. Goodwin
Title: Senior Vice President

STRATA FUNDING LTD.

By: /s/

Name:
Title:

THE SUMITOMO BANK, LTD. NEW YORK BRANCH

By: /s/ Yoshinori Kawamura

Name: Yoshinori Kawmura
Title: Joint General Manager, Management

THE SUMITOMO TRUST & BANKING
CO., LTD., NEW YORK BRANCH

By: /s/ Suraj P. Bhatia

Name: Suraj P. Bhatia
Title: Manager, Corporate Finance Department

SUNTRUST BANK
CENTRAL FLORIDA, N.A.

By: /s/ Janet P. Sammons

Name: Janet P. Sammons
Title: Vice President

THE TRAVELER'S INSURANCE COMPANY

By: /s/

Name:
Title:

UNION BANK OF CALIFORNIA

By: /s/ Timothy P. Sterb

Name: Timothy P. Sterb
Title: Vice President

VAN KAMPEN AMERICAN CAPITAL PRIME RATE INCOME TRUST

By: /s/ Jeffrey W. Maillet

Name: Jeffrey W. Maillet
Title: Senior Vice President & Director

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/

Name:
Title:

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Mark A. Ahmed

Name: Mark A. Ahmed
Title: Managing Director

CONSENT

Dated as of January 6, 1997

Each of the undersigned, as a Guarantor under the Guaranty dated as of December 19, 1994 (the "GUARANTY") in favor of the Administrative Agent, for its benefit and the benefit of the Lender Parties party to the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that notwithstanding the effectiveness of such Amendment, the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment.

BLOOMINGDALE'S, INC.
BLOOMINGDALE'S BY MAIL LTD.
THE BON, INC.
BROADWAY STORES, INC.
BULLOCK'S, INC.
BURDINES, INC.
FEDERATED REAL ESTATE, INC.
FEDERATED RETAIL HOLDINGS, INC.
LAZARUS, INC.
LAZARUS PA, INC.
MACY'S CLOSE-OUT, INC.
MACY'S EAST, INC.
MACY'S REAL ESTATE, INC.
MACY'S SPECIALTY STORES, INC.
MACY'S WEST, INC.
RICH'S DEPARTMENT STORES, INC.
STERN'S DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention: Chief Financial Officer
(with a copy to General Counsel)

CONSENT

Dated as of January 6, 1997

Each of the undersigned, as a Pledgor under the Security

Agreement dated as of December 19, 1994 (the "SECURITY AGREEMENT") in favor of the Administrative Agent, for its benefit and the benefit of the Lender Parties party to the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that (a) notwithstanding the effectiveness of such Amendment, the Security Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Security Agreement to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) the Collateral Documents to which such Pledgor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Secured Obligations (in each case, as defined therein).

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention:Chief Financial Officer
(with a copy to General Counsel)

FEDERATED RETAIL HOLDINGS, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President and Treasurer

Address of Chief Executive Office and for Notices:
7 West Seventh Street
Cincinnati, OH 45202
Attention: Chief Financial Officer
(with a copy to General Counsel)

Exhibit 10.6.7

SEVENTH AMENDMENT TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This Seventh Amendment to the Amended and Restated Pooling and Servicing Agreement, made as of May 14, 1996 (this "Amendment"), is among Prime Receivables Corporation (the "Transferor"), FDS National Bank (successor servicer to Federated Department Stores, Inc.), as servicer (in such capacity, the "Servicer"), and Chemical Bank, as trustee (the "Trustee"). Capitalized terms used in this Amendment and not otherwise defined have the meanings assigned to such terms in the Pooling and Servicing Agreement (as defined below).

PRELIMINARY STATEMENTS:

1. The Purchaser, the Servicer and the Trustee are parties to the Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992 (as amended, restated, supplemented or otherwise modified from time to time, the "Pooling and Servicing Agreement").

2. The Transferor, the Servicer and the Trustee desire to amend the Pooling and Servicing Agreement to revise Schedule II attached thereto.

3. Section 13.01 of the Pooling and Servicing Agreement permits the amendment of Schedules subject to certain conditions.

AGREEMENT

The Transferor, the Servicer and the Trustee agree to the following terms and conditions:

1. AMENDMENT. Schedule II to the Pooling and Servicing Agreement is hereby deleted in its entirety and replaced with SCHEDULE II attached to this Amendment.

2. CONDITIONS PRECEDENT. Attached to this Amendment as EXHIBIT A is an Opinion of Counsel stating that the amendment to the Pooling and Servicing Agreement effected by this Amendment does not adversely affect in any material respect the Interests of any of the Investor Certificateholders, which Opinion of Counsel is required to be delivered under Section 13.01 of the Pooling and Servicing Agreement.

3. CONTINUING AGREEMENT. The Receivables Purchase Agreement, as amended by this Amendment, continues in full force and effect among the Transferor, the Servicer and the Trustee.

Delivered as of the day and year above first written.

PRIME RECEIVABLES CORPORATION

By: /s/ Susan R. Robinson

Name: Susan R. Robinson
Title: President

FDS NATIONAL BANK

By: /s/ JAMES R. GUDMENS

Name: James R. Gudmens
Title: President

CHEMICAL BANK

By: /s/ DENNIS KILDEA

Name: Dennis Kildea
Title: Trust Officer

SCHEDULE II

<TABLE>
<CAPTION>

LIST OF LOCK-BOX ACCOUNTS

<S> <C> <C>

Star Bank Corporation
P.O. Box 1038
425 Walnut Street
Cincinnati, OH
45201-1036

Burdines
Dept. 4500
Cincinnati, OH
45274-4500

480-366-723

Jordan Marsh
P.O. Box 8079
Mason, Ohio
45040-8079

480-381-1425

PNC Bank
201 East 5th Street
Cincinnati, OH
45201-1198

The Bon Marche
P.O. Box 8080
Mason, Ohio
45040-8080

426-002-7019

Stern's
P.O. Box 8081
Mason, Ohio
45040-8081

419-000-2709

Lazarus
P.O. Box 4504
Mason, Ohio
45040-4504

411-017-5133

Macy's West
P.O. Box 8021
Mason, Ohio
45040-8021

300-1544986

Broadway Stores
P.O. Box 8022
Mason, Ohio
45040-8022

300-154-4994

AmSouth Bank, N.A.
1900 Fifth Ave., North
Birmingham, AL
35203

Bloomingdale's
P.O. Box 11407
Drawer 0018
Birmingham, AL
35242-0018

88-419-622

</TABLE>

<TABLE>

<S> <C> <C>

Rich's
P.O. Box 11407
Drawer 0001
Birmingham, AL
35245-0001

01-579-282

Goldsmith's
P.O. Box 11407
Drawer 0012
Birmingham, AL
35245-0012

73-233-579

	Abraham & Straus P.O. Box 11407 Drawer 0008 Birmingham, AL 35245-0008	69-116-059
The Fifth Third Bank 38 Fountain Square Plaza Cincinnati, OH 45263	Lazarus P.O. Box 0064 Cincinnati, OH 45274-0064	715-27336

</TABLE>

EXHIBIT A

OPINION OF COUNSEL

May 14, 1996

Prime Receivables Corporation
4705 Duke Drive
Mason, Ohio 45220

Chemcial Bank, as Trustee
450 West 33rd Street
New York, NY 10001

Re: Prime Receivables, Inc. Amended and Restated Pooling & Servicing Agreement dated as of December 15, 1992 (the "Agreement")

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc., a Delaware corporation, the ultimate parent of Prime Receivables Corporation, a Delaware corporation ("Prime"), I have acted as counsel to Prime in connection with the Seventh Amendment to the Agreement and the substitution of Schedule II of the Agreement.

I have examined such documents, records and matters of law as I have deemed necessary for purposes of this opinion. Based thereon, I am of the opinion that the Seventh Amendment to the Agreement and the deletion of the current Schedule II to the Agreement and substitution therefor with an amended Schedule II do not, in accordance with Section 13.01 of the Agreement, adversely affect in any material respect the interest of any of the Investor Certificateholders, as such term is defined in the Agreement.

Very truly yours,

/s/ Dennis J. Broderick

Dennis J. Broderick

Exhibit 10.6.8

EIGHTH AMENDMENT
TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This Eighth Amendment dated as of March 3, 1997 to the Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992 is among PRIME RECEIVABLES CORPORATION (the "TRANSFEROR"), FDS NATIONAL BANK, a national banking corporation (the "SERVICER") and THE CHASE MANHATTAN BANK, as successor in interest to Chemical Bank, as Trustee (in such capacity, the "TRUSTEE").

W I T N E S S E T H

WHEREAS, the Transferor, the Servicer and the Trustee entered into an Amended and Restated Pooling and Servicing Agreement as of December 15, 1992, as amended from time to time (the "Pooling and Servicing Agreement");

WHEREAS, the Transferor, the Servicer and the Trustee wish to amend Schedule II of the Pooling and Servicing Agreement;

WHEREAS, Section 13.01 of the Pooling and Servicing Agreement permits the amendment of Schedules subject to certain conditions;

NOW THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto hereby agree as follows:

1. Schedule II as attached to the Pooling and Servicing Agreement is hereby deleted in its entirety and Schedule II attached hereto is substituted therefor.

2. Attached hereto is an Opinion of Counsel stating that the amendment to the Pooling and Servicing Agreement effected by this Eighth Amendment does not adversely affect in any material respect the interests of the Certificateholders, as defined in the Pooling and Servicing Agreement.

3. The Pooling and Servicing Agreement, as amended by this Eighth Amendment, shall continue in full force and effect among the parties hereto.

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

PRIME RECEIVABLES CORPORATION

By: /s/ Susan P. Storer

Title: President

FDS NATIONAL BANK

By: /s/ Susan R. Robinson

Title: Treasurer

THE CHASE MANHATTAN BANK

By: /s/ Dennis Kildea

Title: Trust Officer

EXHIBIT A

OPINION OF COUNSEL

March 3, 1997

Prime Receivables Corporation
4705 Duke Drive
Mason, Ohio 45220

The Chase Manhattan Bank,
as Trustee
450 West 33rd Street
New York, NY 10001

Re: Prime Receivables, Inc. Amended and Restated Pooling & Servicing Agreement dated as of December 15, 1992 (the "Agreement")

Ladies and Gentlemen:

As General Counsel of Federated Department Stores, Inc., a Delaware corporation, the ultimate parent of Prime Receivables Corporation, a Delaware corporation ("Prime"), I have acted as counsel to Prime in connection with the Eighth Amendment to the Agreement and the substitution of Schedule II of the Agreement.

I have examined such documents, records and matters of law as I have deemed necessary for purposes of this opinion. Based thereon, I am of the opinion that the Eighth Amendment to the Agreement and the deletion of the current Schedule II to the Agreement and substitution therefor with an amended Schedule II do not, in accordance with Section 13.01 of the Agreement, adversely affect in any material respect the interest of any of the Investor Certificateholders, as such term is defined in the Agreement.

Very truly yours,

/s/ Dennis J. Broderick

Dennis J. Broderick

Schedule 2
3/3/97

<TABLE>
<CAPTION>
List of Lock-Box Accounts

<S>	<C>	<C>
Star Bank Corporation P.O. Box 1038 425 Walnut Street Cincinnati, OH 45201-1036	Burdines Dept. 4500 Cincinnati, OH 45274-4500	480-366-723
Macy's East, Inc., as successor in interest to, Jordan Marsh P.O. Box 8079 Mason, Ohio 45040-8079		480-381-1425
PNC Bank 201 East 5th Street Cincinnati, OH 45201-1198	The Bon Marche P.O. Box 8080 Mason, Ohio 45040-8080	426-002-7019
Stern's P.O. Box 8081 Mason, Ohio 45040-8081		419-000-2709
Lazarus P.O. Box 4504 Mason, Ohio 45040-4504		411-017-5133
Macy's West		300-1544986

P.O. Box 8021
Mason, Ohio
45040-8021

Broadway Stores 300-154-4994
P.O. Box 8022
Mason, Ohio
45040-8022

</TABLE>

<TABLE>
<S> <C> <C>
AmSouth Bank, N.A. Bloomingdale's 88-419-622
1900 Fifth Ave., North P.O. Box 11407
Birmingham, AL Drawer 0018
35203 Birmingham, AL
35242-0018

Rich's 01-579-282
P.O. Box 11407
Drawer 0001
Birmingham, AL
35245-0001

Goldsmith's 73-233-579
P.O. Box 11407
Drawer 0012
Birmingham, AL
35245-0012

Macy's East, Inc., 69-116-059
as successor in interest to,
Abraham & Straus
P.O. Box 11407
Drawer 0008
Birmingham, AL
35245-0008

The Fifth Third Bank Lazarus 715-27336
38 Fountain Square Plaza P.O. Box 0064
Cincinnati, OH Cincinnati, OH
45263 45274-0064

Bank of America Illinois All Originators 7118821
231 South LaSalle Street
Chicago, IL 60697
</TABLE>

Exhibit 10.13.6

SIXTH AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

This Sixth Amendment to Receivables Purchase Agreement dated as of August 26, 1995 (this "Sixth Amendment"), is among THE ORIGINATORS listed on the signature page hereof (collectively, the "Originators") and PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Originators and the Purchaser entered into a Receivables Purchase Agreement dated as of December 15, 1992 (the "Purchase Agreement") pursuant to which the Purchaser purchased Receivables (as defined in the Purchase Agreement) from the Originators on the terms and conditions set forth in the Purchase Agreement;

WHEREAS, all the Originators are wholly owned subsidiaries of Federated Department Stores, Inc. ("Federated") and wish to effect, from time to time, mergers and consolidations among the Originators;

WHEREAS, the Originators and the Purchaser wish to amend the Purchase Agreement to permit such mergers and consolidations and the consequences thereof;

WHEREAS, Section 8.01 of the Purchase Agreement permits the Originators and the Purchaser to amend the Purchase Agreement subject to certain conditions;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Capitalized terms used herein and not otherwise defined have the meanings assigned such terms in the Purchase Agreement.

2. Section 5.01(h) of the Purchase Agreement is hereby amended by inserting the following phrase in the fourth line thereof, after the word "Agreement,":

"or as a result of a transaction that effects a merger of an Originator into or with another Originator or a consolidation among two or more Originators,". . .

3. Attached hereto as Exhibit A is a certificate by an officer of FDS National Bank, as Servicer, stating that the amendment to the Purchase Agreement effected by this Sixth Amendment does not adversely affect in any material respect the interests of any of the Investor Certificateholders, which certificate is required to be delivered to the Trustee pursuant to Section 8.01 of the Purchase Agreement.

4. Attached hereto as Exhibit B is an Opinion of Counsel evidencing that the amendment to the Purchase Agreement effected by this Sixth Amendment shall not cause the Trust to be characterized for federal income tax purposes as an association taxable as a corporation or otherwise have a material adverse impact on the federal income taxation of any outstanding Series of Investor Certificates or any Certificate of Owner, which Opinion of Counsel is required to be provided pursuant to Section 8.01 of the Purchase Agreement.

5. The Purchase Agreement, as amended by this Sixth Amendment, shall continue in full force and effect among the parties hereto.

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

THE ORIGINATORS:

ABRAHAM & STRAUS, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

BLOOMINGDALE'S, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

BURDINES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

JORDAN MARSH STORES CORPORATION

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS PA, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

STERN'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

RICH'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

THE BON, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

FDS NATIONAL BANK

Date: 8/26/95 By: /s/ Susan P. Storer

Title: CFO & Treasurer

THE PURCHASER:

PRIME RECEIVABLES CORPORATION

Date: 8/26/95 By: /s/ Susan R. Robinson

Title: President

EXHIBIT A

FDS NATIONAL BANK

OFFICER'S CERTIFICATE

Pursuant to Section 8.01 (a) of the Receivables Purchase Agreement dated as of December 15, 1992 (the "Purchase Agreement") among the Originators listed therein and Prime Receivables Corporation, as amended, FDS National Bank, a national banking association, as Servicer, certifies that the amendment to the Purchase Agreement effected by the Sixth Amendment To Receivables Purchase Agreement dated as of August 26, 1995 will not adversely effect in any material respect the interests of any of the Investor Certificateholders (as defined in the Purchase Agreement).

/s/ Susan P. Storer

FDS National Bank
as Servicer

August 26, 1995 Name: Susan P. Storer

Title: CFO & Treasurer

Exhibit 10.13.7

SEVENTH AMENDMENT
TO
RECEIVABLES PURCHASE AGREEMENT

This Seventh Amendment to Receivables Purchase Agreement dated as of August 26, 1995 (this "Seventh Amendment"), is amount THE ORIGINATORS listed on the signature page hereof (collectively, the "Originators") and PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Originators and the Purchaser entered into a Receivables Purchase Agreement dated as of December 15, 1992 (the "Purchase Agreement") pursuant to which the Purchaser purchased Receivables (as defined in the Purchase Agreement) from the Originators on the terms and conditions set forth in the Purchase Agreement;

WHEREAS, the Originators and the Purchaser wish to amend the Purchase Agreement to revise Schedules I, II, III and V attached to the Purchase Agreement;

WHEREAS, Section 8.01 of the Purchase Agreement permits the Originators and the Purchaser to amend the Purchase Agreement subject to certain conditions;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Schedules I, II, III and V attached to the Purchase Agreement are hereby deleted in their entirety and Schedules I, II, III and V attached hereto are substituted therefor.

2. Attached hereto as Exhibit A is a certificate by an officer of FDS National Bank, as Servicer, stating that the amendment to the Purchase Agreement effected by this Seventh Amendment does not adversely affect in any material respect the interests of any of the Investor Certificateholders (as defined in the Purchase Agreement), which certificate is required to be delivered to the Trustee (as defined in the Purchase Agreement) pursuant to Section 8.01 of the Purchase Agreement.

3. The Purchase Agreement, as amended by this Seventh Amendment shall continue in full force and effect among the parties hereto.

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

THE ORIGINATORS:

BLOOMINGDALE'S, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

BURDINES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS PA, INC.

By: /s/ Dennis J. Broderick
Title: Vice President

MACY'S EAST, INC. (as successor in interest
to Abraham & Straus, Inc. and
Jordan Marsh Stores Corporation)

By: /s/ John R. Sims
Title: Vice President

STERN'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick
Title: Vice President

RICH'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick
Title: Vice President

THE BON, INC.

By: /s/ Dennis J. Broderick
Title: Vice President

FDS NATIONAL BANK

Date: 8/26/95 By: /s/ Susan P. Storer
Title: CFO & Treasurer

THE PURCHASER:

PRIME RECEIVABLES CORPORATION

Date: 8/26/95 By: /s/ Susan R. Robinson
Title: President

EXHIBIT A

FDS NATIONAL BANK

OFFICER'S CERTIFICATE

Pursuant to Section 8.01 (a) of the Receivables Purchase Agreement

dated as of December 15, 1992 among the Originators listed therein and Prime Receivables Corporation, FDS National Bank, as Servicer, certifies that the amendment dated as of August 26, 1995 to Schedules I, II, III and V of Receivables Purchase Agreement does not adversely affect in any material respect the interests of any of the Investor Certificateholders.

/s/ Susan P. Storer

FDS National Bank
as Servicer

August 26, 1995

Name: Susan P. Storer

Title: CFO & Treasurer

SCHEDULE I

<TABLE>
<CAPTION>

LIST OF ORIGINATORS

Name of Originator	Jurisdiction of Incorporation	Chief Place of Business Chief Executive Office and Mailing Address
<S>	<C>	<C>
Bloomingdale's, Inc.	Ohio	1000 Third Avenue New York, NY 11201
Burdines, Inc.	Ohio	22 East Flagler Street Miami, FL 33131
Lazarus, Inc.	Ohio	699 Race Street Cincinnati, OH 45202
Lazarus PA, Inc.	Ohio	699 Race Street Cincinnati, OH 45202
Macy's East, Inc.	Ohio	151 W. 34th Street New York, NY 10001
Rich's Department Stores, Inc.	Ohio	219 Perimeter Center Parkway Atlanta, GA 30346
Stern's Department Stores, Inc.	Ohio	Bergen Mall, Route 4, East Paramus, NJ 07652
The Bon, Inc.	Ohio	Third Avenue and Pine Street Seattle, WA 98181

</TABLE>

SCHEDULE II

<TABLE>
<CAPTION>

AUTHORIZED OFFICERS OF ORIGINATORS

Seller	Name	Title

Bloomingdale's, Inc.	James M. Zimmerman	Chairman
	Michael Gould	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Burdines, Inc.	James M. Zimmerman	Chairman
	Howard Socol	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Lazarus, Inc.	James M. Zimmerman	Chairman
	Russell Stravitz	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Lazarus PA, Inc.	James M. Zimmerman	Chairman
	Russell Stravitz	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Macy's East, Inc.	James M. Zimmerman	Chairman
	Harold D. Kahn	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Rich's Department Stores, Inc.	James M. Zimmerman	Chairman
	Russell Stravitz	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer

</TABLE>

<TABLE>

	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Stern's Department Stores, Inc.	James M. Zimmerman	Chairman
	Matthew D. Serra	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
The Bon, Inc.	James M. Zimmerman	Chairman
	Thomas P. Harville	President
	John R. Sims	Secretary
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary

</TABLE>

SCHEDULE III

Offices Where Books, Records, Etc.
Evidencing Receivables Are Kept

Bloomingdale's, Inc.

1000 Third Avenue
New York, NY 10022

155 East 60th Street (10th Floor)
New York, NY 10022

1400 Northern Boulevard
Manhasset, NY 11030

132 West 31st Street (9th Floor)
New York, NY 10005

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

Burdines, Inc.

22 East Flagler Street
Miami, FL 33131

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS South
4130 Gandy Boulevard
Tampa, FL 33620

Lazarus, Inc. and Lazarus PA, Inc.

7th and Race Street
Cincinnati, OH 45202

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Macy's East, Inc.

151 W, 34th Street
New York, NY 10001

422 Fulton Street
Brooklyn, NY 11201

150 Fulton Avenue
Hempstead, NY 11550

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Rich's Department Stores, Inc.
- ------------------------------

219 Perimeter Center Parkway
Atlanta, GA 30346

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS South
4130 Gandy Boulevard
Tampa, FL 33620

Stern's Department Stores, Inc.
- ------------------------------

Bergen Mall, Route 4
Paramus, NJ 07652

South 60, Route 17 North
Paramus, NJ 07652

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

The Bon, Inc.
- -------------

Third Avenue and Pine Street
Seattle, WA 98181

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

SCHEDULE V

ADDRESS OF SERVICER

FDS National Bank, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Attention: Chief Financial Officer
General Counsel

Exhibit 10.13.8

EIGHTH AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT

This Eighth Amendment to Receivables Purchase Agreement, made as of May 14, 1996 (this "Amendment"), is among companies listed as Originators on the signature pages to this Amendment (collectively, the "Originators") and Prime Receivables Corporation (the "Purchaser"). Capitalized terms used in this Amendment and not otherwise defined have the meanings assigned to such terms in the Receivables Purchase Agreement (as defined below).

PRELIMINARY STATEMENTS:

1. Federated Department Stores, Inc. ("Federated"), the Originators and the Purchaser, a wholly owned special purpose subsidiary of Federated, are parties to the Receivables Purchase Agreement dated as of December 15, 1992 (as amended, restated, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"), under which the Purchaser agreed to purchase Receivables from the Originators on the terms and subject conditions set forth in the Receivables Purchase Agreement.

2. The Originators and the Purchaser desire to amend the Receivables Purchase Agreement to revise Schedules I, II, III and IV attached thereto.

3. Section 8.01(a) of the Receivables Purchase Agreement permits the Originators and the Purchaser to amend the Receivables Purchase Agreement subject to certain conditions.

AGREEMENT

The Originators and the Purchaser agree to the following terms and conditions:

1. AMENDMENT. Schedules I, II, III and IV to the Receivables Purchase Agreement are deleted in their entirety and replaced with Schedules I, II, III and IV attached to this Amendment.

2. CONDITIONS PRECEDENT. Attached to this Amendment as Exhibit A is a Certificate by an officer of FDS National Bank, as servicer, stating that the amendments to the Receivables Purchase Agreement effected by this Amendment does not adversely affect in any material respect the Interests of any of the Investor Certificateholders, which certificate is required to be delivered to the Trustee under Section 8.01(a) of the Receivables Purchase Agreement.

3. CONTINUING AGREEMENT. The Receivables Purchase Agreement, as amended by this Amendment, continues in full force and effect among the Originators and the Purchaser.

Delivered as of the day and year above first written.

BLOOMINGDALE'S, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

BROADWAY STORES, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

BURDINES, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

FDS NATIONAL BANK, as an Originator

By: /s/ James R. Gudmens

Name: James R. Gudmens
Title: President

LAZARUS, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

LAZARUS PA, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

MACY'S EAST, INC., (as successor in interest to Abraham & Straus, Inc. and Jordan Marsh Stores Corporation), as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

RICH'S DEPARTMENT STORES, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

STERN'S DEPARTMENT STORES, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

THE BON, INC., as an Originator

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Treasurer and Assistant Secretary

PRIME RECEIVABLES CORPORATION, as the Purchaser

By: /s/ Susan R. Robinson

Name: Susan R. Robinson
Title: President

SCHEDULE I

<TABLE>
<CAPTION>

LIST OF ORIGINATORS

Name of Originator	Jurisdiction of Incorporation	Chief Place of Business Chief Executive Office and Mailing Address
Bloomingdale's, Inc.	Ohio	1000 Third Avenue New York, NY 11201
Broadway Stores, Inc.	Delaware	50 O'Farrell Street San Francisco, CA 94102
Burdines, Inc.	Ohio	22 East Flagler Street Miami, FL 33131
Lazarus, Inc.	Ohio	219 Perimeter Center Parkway Atlanta, GA 30346
Macy's East, Inc.	Ohio	151 W. 34th Street New York, NY 10001
Rich's Department Stores, Inc.	Ohio	219 Perimeter Center Parkway Atlanta, GA 30346
Stern's Department Stores, Inc.	Ohio	Bergen Mall, Route 4, East Paramus, NJ 07652
The Bon, Inc.	Ohio	Third Avenue and Pine Street Seattle, WA 98181

SCHEDULE II

AUTHORIZED OFFICERS OF ORIGINATORS

Seller	Name	Title
Bloomingdale's, Inc.	James M. Zimmerman	Chairman
	Michael Gould	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Broadway Stores, Inc.	James M. Zimmerman	Chairman
	Michael Steinberg	President
	John E. Brown	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Burdines, Inc.	James M. Zimmerman	Chairman
	Howard Socol	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Lazarus, Inc.	James M. Zimmerman	Chairman
	Russell Stravitz	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President

	Jack B. Cox	Assistant Secretary
Macy's East, Inc.	James M. Zimmerman	Chairman
	Harold D. Kahn	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary

</TABLE>

<TABLE>
<CAPTION>

AUTHORIZED OFFICERS OF ORIGINATORS (Con't)

<S>	<C>	<C>
Rich's Department Stores, Inc.	James M. Zimmerman	Chairman
	Russell Stravitz	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
Stern's Department Stores, Inc.	James M. Zimmerman	Chairman
	Matthew D. Serra	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary
The Bon, Inc.	James M. Zimmerman	Chairman
	Thomas P. Harville	President
	John R. Sims	Vice President
	Karen M. Hoguet	Treasurer
	Dennis J. Broderick	Vice President
	Jack B. Cox	Assistant Secretary

</TABLE>

SCHEDULE III

Offices Where Books, Records, Etc. Evidencing Receivables Are Kept

---

Bloomingdale's, Inc.

- ---

1000 Third Avenue
New York, NY 10022

155 East 60th Street (10th Floor)
New York, NY 10022

1400 Northern Boulevard
Manhasset, NY 11030

132 West 31st Street (9th Floor)
New York, NY 10005

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

Broadway Stores, Inc.

- ----------

50 O'Farrell Street
San Francisco, CA 94102

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS West
1344 S. 52nd Street
Tempe, AZ 85281

Burdines, Inc.
- ----------

22 East Flagler Street
Miami, FL 33131

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS South
4130 Gandy Boulevard
Tampa, FL 33620

Lazarus, Inc.
- ----------

7th and Race Street
Cincinnati, OH 45202

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS South
4130 Gandy Boulevard
Tampa, FL 33620

Macy's East, Inc.
- ----------

151 W, 34th Street
New York, NY 10001

422 Fulton Street
Brooklyn, NY 11201

150 Fulton Avenue
Hempstead, NY 11550

Federated Systems Group, Inc.
6801 Governors Parkway

Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

Rich's Department Stores, Inc.
- ------------------------------

219 Perimeter Center Parkway
Atlanta, GA 30346

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS South
4130 Gandy Boulevard
Tampa, FL 33620

Stern's Department Stores, Inc.
- ------------------------------

Bergen Mall, Route 4
Paramus, NJ 07652

South 60, Route 17 North
Paramus, NJ 07652

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard

Mason, OH 45040-8999

The Bon, Inc.
- -------------

Third Avenue and Pine Street
Seattle, WA 98181

Federated Systems Group, Inc.
6801 Governors Parkway
Bldg. 200, Suite 500
Norcross, GA 30071

FACS Group, Inc.
9111 Duke Boulevard
Mason, OH 45040-8999

FACS West
1344 S. 52nd Street
Tempe, AZ 85281

SCHEDULE IV

<TABLE>

<CAPTION>
List of Lock-box Accounts

<S> <C> <C>

Star Bank Corporation
P.O. Box 1038
425 Walnut Street
Cincinnati, OH
45201-1036

Burdines
Dept. 4500
Cincinnati, OH
45274-4500

480-366-723

Jordan Marsh
P.O. Box 8079
Mason, Ohio
45040-8079

480-381-1425

PNC Bank
201 East 5th Street
Cincinnati, OH
45201-1198

The Bon Marche
P.O. Box 8080
Mason, Ohio
45040-8080

426-002-7019

Stern's
P.O. Box 8081
Mason, Ohio
45040-8081

419-000-2709

Lazarus
P.O. Box 4504
Mason, Ohio
45040-4504

411-017-5133

Macy's West
P.O. Box 8021
Mason, Ohio
45040-8021

300-1544986

Broadway Stores
P.O. Box 8022
Mason, Ohio
45040-8022

300-154-4994

AmSouth Bank, N.A.
1900 Fifth Ave., North
Birmingham, AL
35203

Bloomingdale's
P.O. Box 11407
Drawer 0018
Birmingham, AL
35242-0018

88-419-622

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Rich's
P.O. Box 11407
Drawer 0001
Birmingham, AL
35245-0001

01-579-282

Goldsmith's
P.O. Box 11407
Drawer 0012
Birmingham, AL
35245-0012

73-233-579

Abraham & Straus
P.O. Box 11407
Drawer 0008
Birmingham, AL
35245-0008

69-116-059

The Fifth Third Bank
38 Fountain Square Plaza
Cincinnati, OH
45263

Lazarus
P.O. Box 0064
Cincinnati, OH
45274-0064

715-27336

</TABLE>

EXHIBIT A

FDS NATIONAL BANK

OFFICER'S CERTIFICATE

Pursuant to Section 8.01 (a) of the Receivables Purchase Agreement dated as of December 15, 1992 (as amended, restated, supplemented or otherwise modified from time to time), among the companies listed therein as Originators and Prime Receivables Corporation, FDS National Bank, as servicer, certifies that the amendments to the Receivables Purchase Agreement dated as of May 14, 1996, do not adversely effect in any material respect the Interests of any of the Investor Certificateholders.

Dated: May 14, 1996 FDS NATIONAL BANK, as servicer

/s/ James R. Gudmens

Name: James R. Gudmens
Title: President

Exhibit 10.13.9

NINTH AMENDMENT
TO
RECEIVABLES PURCHASE AGREEMENT

This Ninth Amendment to Receivables Purchase Agreement dated as of March 3, 1997 (this "Amendment"), is among THE ORIGINATORS listed on the signature page hereof (collectively, the "Originators") and PRIME RECEIVABLES CORPORATION, a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Originators and the Purchaser entered into a Receivables Purchase Agreement dated as of December 15, 1992, as amended from time to time, (the "Purchase Agreement") pursuant to which the Purchaser purchased Receivables (as defined in the Purchase Agreement) from the Originators on the terms and conditions set forth in the Purchase Agreement;

WHEREAS, the Originators and the Purchaser wish to amend the Purchase Agreement to revise Schedule IV attached to the Purchase Agreement;

WHEREAS, Section 8.01 of the Purchase Agreement permits the Originators and the Purchaser to amend the Purchase Agreement subject to certain conditions;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Schedule IV attached to the Purchase Agreement is hereby deleted in its entirety and Schedule IV attached hereto is substituted therefor.

2. Attached hereto as Exhibit A is a certificate by an officer of FDS National Bank, as Servicer, stating that the amendment to the Purchase Agreement effected by this Ninth Amendment does not adversely affect in any material respect the interests of any of the Investor Certificateholders (as defined in the Purchase Agreement), which certificate is required to be delivered to the Trustee (as defined in the Purchase Agreement) pursuant to Section 8.01 of the Purchase Agreement.

3. The Purchase Agreement, as amended by this Ninth Amendment shall continue in full force and effect among the parties hereto.

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

THE ORIGINATORS:

BLOOMINGDALE'S, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

BURDINES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

LAZARUS, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

RICH'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

STERN'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President and General Counsel

THE BON, INC.

By: /s/ Dennis J. Broderick

Title: Vice President and General Counsel

BROADWAY STORES, INC.

By: /s/ Dennis J. Broderick

Title: Vice President

MACY'S EAST, INC.,
as successor in interest to Abraham & Straus
and Jordan Marsh Stores Corporation

By: /s/ Dennis J. Broderick

Title: Vice President

FDS NATIONAL BANK

Date: 3/3/97 By: /s/ Susan R. Robinson

Title: Treasurer

THE PURCHASER:

PRIME RECEIVABLES CORPORATION

Date: 3/3/97 By: /s/ Susan P. Storer

Title: President

SCHEDULE IV
3/3/97

<TABLE>
<CAPTION>
List of Lock-box Accounts

<S>	<C>	<C>
Star Bank Corporation P.O. Box 1038 425 Walnut Street Cincinnati, OH 45201-1036	Burdines Dept. 4500 Cincinnati, OH 45274-4500	480-366-723
Macy's East, Inc., as successor in interest to, Jordan Marsh P.O. Box 8079 Mason, Ohio 45040-8079		480-381-1425
PNC Bank 201 East 5th Street Cincinnati, OH	The Bon Marche P.O. Box 8080 Mason, Ohio	426-002-7019

45201-1198 45040-8080

Stern's 419-000-2709
P.O. Box 8081
Mason, Ohio
45040-8081

Lazarus 411-017-5133
P.O. Box 4504
Mason, Ohio
45040-4504

Macy's West 300-1544986
P.O. Box 8021
Mason, Ohio
45040-8021

Broadway Stores 300-154-4994
P.O. Box 8022
Mason, Ohio
45040-8022
</TABLE>

<TABLE>
<S> <C> <C>
AmSouth Bank, N.A. Bloomingdale's 88-419-622
1900 Fifth Ave., North P.O. Box 11407
Birmingham, AL Drawer 0018
35203 Birmingham, AL
35242-0018

Rich's 01-579-282
P.O. Box 11407
Drawer 0001
Birmingham, AL
35245-0001

Goldsmith's 73-233-579
P.O. Box 11407
Drawer 0012
Birmingham, AL
35245-0012

Macy's East, Inc., 69-116-059
as successor in interest to,
Abraham & Straus
P.O. Box 11407
Drawer 0008
Birmingham, AL
35245-0008

The Fifth Third Bank Lazarus 715-27336
38 Fountain Square Plaza P.O. Box 0064
Cincinnati, OH Cincinnati, OH
45263 45274-0064

Bank of America Illinois All Originators 7118821
231 South LaSalle Street
Chicago, IL 60697
</TABLE>

EXHIBIT A

FDS NATIONAL BANK

OFFICER'S CERTIFICATE

Pursuant to Section 8.01 (a) of the Receivables Purchase Agreement

dated as of December 15, 1992, among the Originators listed therein and Prime Receivables Corporation, FDS National Bank, as Servicer, certifies that the amendment dated as of March 3, 1997 to Schedule IV of the Receivables Purchase Agreement does not adversely affect in any material respect the interests of any of the Invester Certificateholders.

FDS National Bank
As Servicer

/s/ Susan R. Robinson

Date 3/3/97 Name: Susan R. Robinson
---------- ----------
Title: Treasurer

Exhibit 10.19

RECEIVABLES PURCHASE AGREEMENT

BETWEEN

FDS NATIONAL BANK, A NATIONAL BANKING ASSOCIATION, AS ORIGINATOR

AND

PRIME II RECEIVABLES CORPORATION, A DELAWARE CORPORATION, AS PURCHASER

DATED AS OF JANUARY 22, 1997

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<CAPTION>

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SCHEDULE III Discount Factor Formula

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RECEIVABLES PURCHASE AGREEMENT

This RECEIVABLES PURCHASE AGREEMENT dated as of January 22, 1997 (this "AGREEMENT"), is between FDS NATIONAL BANK, a national banking association (the "ORIGINATOR") and PRIME II RECEIVABLES CORPORATION, a Delaware corporation (the "PURCHASER").

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS, the Originator intends to sell Receivables to the Purchaser on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Purchaser desires to purchase Receivables from the Originator on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, to obtain the necessary funds to purchase such Receivables, the Purchaser has entered into the Pooling and Servicing Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ADDITIONAL ORIGINATOR" has the meaning specified in SECTION 2.06.

"AUTHORIZED OFFICERS" means those officers of the Persons designated in SCHEDULE I hereto (or in such other Schedule as may be delivered to the parties hereto from time to time) as duly authorized to execute and deliver this Agreement and any instruments or documents in connection herewith on behalf of such Persons and to take, from time to time, all other actions on behalf of the Originator in connection herewith.

"BUSINESS DAY" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York (or, with respect to any Series, any additional city specified in the related Supplement) are authorized or obligated by law or executive order to be closed.

"CHARGE ACCOUNT AGREEMENT" means an agreement, which shall comply with the Federal Truth In Lending Act, for Visa and Mastercard credit card accounts between

any Obligor and the Originator, as such agreements may be amended, modified or otherwise changed from time to time.

"CLOSING DATE" means the date of the initial issuance of the Certificates.

"COMPANY" means Federated Department Stores, Inc., a Delaware corporation.

"CREDIT AND COLLECTION POLICY" means the credit, collection, customer relations and service policies that apply to Eligible Accounts, as such policies currently exist and as such policies may be amended, modified or supplemented from time to time subject to SECTION 5.01(C).

"CUSTODIAN" means the bailee of the Trustee.

"DEFAULTED RECEIVABLE" means a Receivable in a Defaulted Account.

"DISCOUNT FACTOR" means the discount factor determined in accordance with SCHEDULE III hereto.

"ELIGIBLE RECEIVABLE" means a Receivable that satisfies each of the following criteria:

(a) it arises under an Eligible Account;

(b) except as permitted in the Pooling and Servicing Agreement, it is not sold or pledged to any other party;

(c) it constitutes an "account" or a "general intangible" as each is defined in Article 9 of the UCC as then in effect in each Relevant UCC State;

(d) it is the legal, valid and binding obligation of a Person who (i) is living, (ii) is not a minor under the laws of his/her state of residence and (iii) is competent to enter into a contract and incur debt;

(e) neither it nor the underlying Charge Account Agreement contravenes in any material respect any laws, rules or regulations applicable thereto (including, without limitation, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) that could reasonably be expected to have an adverse impact on the amount of Collections thereunder, and the Originator is not in violation of any such laws, rules or regulations in any respect material to such Charge Account Agreement;

(f) all material consents, licenses, or authorizations of, or registrations with, any governmental authority required to be obtained or given in connection with the creation of such Receivable or the execution, delivery, creation and performance

of the underlying Charge Account Agreement have been duly obtained or given and are in full force and effect as the date of the creation of such Receivable;

(g) at the time of its transfer to the Trust, the Purchaser or the Trust will have good and marketable title free and clear of all liens and security interests arising under or through the Purchaser (other than Permitted Liens);

(h) it is not a Defaulted Receivable; and

(i) it arises under a Charge Account Agreement that has been duly authorized and which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever (except the discharge in bankruptcy of the Obligor).

"INCIPIENT PURCHASE TERMINATION EVENT" means any condition, act or event specified in SECTION 6.01 that, with the giving of notice or the lapse of time, or both, would become a Purchase Termination Event.

"INITIAL OUTSTANDING BALANCE" of a Receivable means the Outstanding Balance of such Receivable on the Initiation Date of such Receivable.

"INITIATION DATE" means, with respect to any Receivable, the date of the transaction that gave rise to the original Outstanding Balance of such Receivable.

"IN-STORE PAYMENT" means any payment made by an Obligor with respect to a Receivable by delivery of cash, a check or money order, or any other form of payment to a cashier or other employee of any Federated retail operating subsidiary.

"INTERCHANGE" means interchange fees payable to the Originator in its capacity as credit card issuer through VISA U.S.A., Inc. and Mastercard International Incorporated.

"LATE FEES" has, with respect to any Account, the meaning specified in the Charge Account Agreement applicable to such Account for late fees or similar charges.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment, participation or equity interest, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing; PROVIDED, HOWEVER, that any assignment pursuant to Section 7.2 of the Pooling and Servicing Agreement shall not be deemed to constitute a Lien.

"LOCK-BOX ACCOUNT" means an account in the name of the Trustee with a Lock-Box Bank.

"LOCK-BOX AGREEMENT" has the meaning specified in SECTION 3.01.

"LOCK-BOX BANK" means any bank that holds one or more Lock-Box Accounts for receiving Collections, pursuant to a Lock-Box Agreement.

"NET OWNERSHIP INTEREST" means, with respect to any Receivable, an amount equal to the aggregate Initial Outstanding Balance of such

Receivable, plus interest or finance charges accrued on such Receivable to such time less the cumulative amount of Collections with respect to such Receivable actually received by the Purchaser or the Originator prior to such time, as such Net Ownership Interest may be adjusted pursuant to SECTION 2.05.

"OBLIGOR" means a Person obligated to make payments with respect to a Receivable arising under an Account pursuant to a Charge Account Agreement.

"OUTSTANDING BALANCE" means, with respect to a Receivable on any day, the aggregate amount owed by the Obligor thereunder as of the close of business on the prior Business Day (net of returns and adjustments).

"PERIODIC FINANCE CHARGES" has, with respect to any Account, the meaning specified in the Charge Account Agreement applicable to such Account for finance charges (due to periodic rate) or any similar term.

"PERSON" means any legal person, including an individual, corporation, partnership, association, joint venture, joint-stock company, trust, unincorporated organization, governmental entity or other entity of a similar nature.

"POOLING AND SERVICING AGREEMENT" means the Pooling and Servicing Agreement dated as of January 22, 1997, among the Purchaser, the Servicer, and the Trustee, as such agreement may be amended, supplemented, waived, or otherwise modified from time to time.

"PURCHASE CONSIDERATION" means, with respect to each purchase of newly created Receivables from the Originator on the Initiation Date of such Receivables, the aggregate consideration payable by the Purchaser to the Originator equal to the Purchase Price of such Receivables, which shall be paid pursuant to SECTION 2.03, either in cash, by Subordinated Purchase Note, or by a combination thereof.

"PURCHASE DATE" has the meaning specified in SECTION 2.01(a).

"PURCHASE PRICE" means the product of (i) the Outstanding Balance of each Receivable tendered to the Purchaser pursuant to SECTION 2.02(a) and (ii) a percentage equal to 100% minus the Discount Factor for the purchase of such Receivable.

"PURCHASE TERMINATION DATE" means the date on which the Purchaser's obligation to purchase Receivables shall terminate pursuant to SECTION 6.01.

"PURCHASE TERMINATION EVENT" has the meaning specified in SECTION 6.01.

"PURCHASES" has the meaning specified in SECTION 2.01(a).

"RECEIVABLE" means any amount owing by any Obligor, including, without limitation, amounts owing for the payment of goods and services, annual membership fees, Periodic Finance Charges, Late Fees, cash advances, access checks, cash advance fees and Special Fees, if any, including credit insurance premiums.

"RECEIVABLES TRANSMITTAL" has the meaning specified in SECTION 2.02(a).

"RELEVANT UCC STATE" means each jurisdiction in which the filing of a UCC financing statement is necessary to perfect the ownership interest and security interest of the Originator pursuant to this Agreement.

"SETTLEMENT DATE" means the date upon which the Purchaser and the Originator shall reconcile any amounts owed to each other, except amounts payable in respect of Purchases of Receivables, which date shall occur at least once each fiscal month.

"SETTLEMENT PERIOD" means a period from and including a Settlement Date to but excluding the next following Settlement Date.

"SETTLEMENT STATEMENT" means a statement, dated the last day of each Settlement Period, reflecting the adjustments and credits pursuant to SECTION 2.05 for such Settlement Period and for any Receivables being sold or repurchased by the Originator on the date thereof, substantially in the form of EXHIBIT A hereto, signed by an Authorized Officer of the Purchaser.

"SPECIAL FEES" means any fees which are not now but from time to time may be assessed on the Accounts.

"SUBORDINATED PURCHASE NOTE" has the meaning specified in SECTION 2.03(a).

"UCC" means the Uniform Commercial Code, as amended from time to time, as in effect in the applicable jurisdiction.

"U.S. GAAP" has the meaning specified in SECTION 1.02.

All capitalized terms used herein and not otherwise defined have the meanings assigned such terms in the Pooling and Servicing Agreement. The definitions contained in this SECTION 1.01 are applicable to the singular as well as the plural forms of such terms.

SECTION 1.02. ACCOUNTING AND UCC TERMS. All accounting terms not specifically defined herein shall be construed in accordance with United States generally accepted accounting principles ("U.S. GAAP"); and all terms used in Article 9 of the UCC that are used but not specifically defined herein are used herein as defined therein.

ARTICLE II.
AMOUNTS AND TERMS OF THE PURCHASES

SECTION 2.01. THE PURCHASES.

(a) The Originator does hereby sell, transfer, assign, and otherwise convey to the Purchaser, without recourse, all of its right, title and interest in, to and under (i) the Receivables now existing and hereafter created and arising in connection with the Accounts, including, without limitation, all accounts, general intangibles, contract rights, and other obligations of any Obligor with respect to the Receivables, now or hereafter existing, (ii) all monies and investments due or to become due with respect thereto (including, without limitation, the right to any Finance Charge Receivables, including any Recoveries), (iii) all Interchange arising upon the creation of such Receivables, (iv) all proceeds of such Receivables and (v) the Charge Account Agreements relating to such Accounts (collectively, the "PURCHASES") on the Closing Date and on the Initiation Date of any such subsequently created Receivable during the period from the Closing Date until the Purchase Termination Date (each such date, including the Closing Date, being a "PURCHASE DATE").

(b) The parties to this Agreement intend that the transactions contemplated hereby shall be, and shall be treated as, a purchase by the Purchaser and a sale by the Originator of the Receivables and not as a lending transaction. The sale of Receivables by the Originator hereunder shall be without recourse to, or representation or warranty of any kind (express or implied) by, the Originator, except as otherwise specifically provided herein. If this Agreement does not constitute a valid sale, transfer and assignment of all right, title and interest of the Originator in such property despite the intent of the parties hereto, the Originator hereby grants the Purchaser a "security interest" (as defined in the UCC as in effect in the Relevant UCC State) in such property to the Purchaser and the parties agree that this Agreement shall constitute a security agreement under the UCC in effect in the Relevant UCC State.

SECTION 2.02. DELIVERY OF RECEIVABLES AND PAYMENTS.

(a) On each Business Day prior to the Purchase Termination Date, the Originator shall deliver all of its Receivables to the Purchaser by delivering to the Purchaser a receivables

transmittal (a "RECEIVABLES TRANSMITTAL") specifying to the Purchaser the aggregate Outstanding Balance of such Receivables and the portion of the Purchase Price of such Receivables the Originator desires to receive in cash

(it being understood that any portion of the Purchase Price that the Originator does not elect to receive in cash shall be reflected as a subordinated loan from the Originator to the Purchaser and evidenced by a Subordinated Purchase Note). Notwithstanding the foregoing or any other provision of this Agreement, the Originator may not sell any Receivables or any portion of any thereof to the Purchaser for cash on any Business Day on which the Originator has requested the Purchaser to repay any outstanding principal amount of any Subordinated Purchase Note unless and until the Purchaser has tendered the amount of such requested repayment to the Originator.

(b) Upon the fulfillment of the conditions set forth in ARTICLE III and the receipt by the Originator on any Purchase Date of the Purchase Consideration for the Receivables to be sold by the Originator on such date, all of the Originator's right, title and interest in and to such Receivables shall have been sold, assigned, transferred, conveyed and set over to the Purchaser. Each such sale shall be evidenced by the Originator's delivery to the Purchaser of a Receivables Transmittal and the receipt by the Originator of the Purchase Consideration for the Receivables represented thereby.

SECTION 2.03. PAYMENTS AND COMPUTATIONS.

(a) The Purchase Price for Receivables shall be paid or provided for on the Purchase Date of such Receivables in either of the following ways, at the election of the Originator: (i) by payment in cash in immediately available funds; or (ii) in the event that the total Purchase Price is not paid in full in cash by the Purchaser on the date of Purchase, the Originator shall receive a subordinated unsecured promissory note (each such note, a "SUBORDINATED PURCHASE NOTE") from the Purchaser in an original principal amount equal to the portion of such cash shortfall owed to the Originator. The characteristics of each Subordinated Purchase Note shall be as follows:

(i) interest shall accrue on the outstanding principal amount of each Subordinated Purchase Note at a per annum rate of interest (calculated on the basis of a 360-day year of twelve 30-day months) equal to the equivalent of the rate for commercial paper having a maturity of 30 days reported on such day by the Board of Governors of the Federal Reserve System in "Statistical Release H.15 (519), Selected Interest Rates", or any successor thereto, under the heading "Commercial Paper", converted to a money market yield, or, if no such rate for commercial paper is reported on such date, the applicable rate in effect with respect to the most recent day on which such rate was reported, plus 1.5%;

(ii) the outstanding principal of and accrued interest on each Subordinated Purchase Note shall be payable as, if and when the Purchaser receives any of the following amounts (net of expenses of the Purchaser) from the Trustee or the Servicer: (i) payments with respect to Principal Receivables

allocable to the Exchangeable Transferor Certificate; (ii) payments of any portion of the Finance Charge Receivables paid with respect to the Exchangeable Transferor Certificate, representing an amount equal to any Default Amount allocable to the Exchangeable Transferor Certificate; and (iii) the proceeds arising from the sale by the Purchaser of any Investor Certificates, including proceeds received upon an

exchange of the Exchangeable Transferor Certificate;

(iii) all amounts paid with respect to an outstanding Subordinated Purchase Note shall be allocated first to accrued interest until all such interest is paid, and then to outstanding principal;

(iv) the obligation of the Purchaser to repay Subordinated Purchase Notes issued to the Originator from the amounts paid to such Purchaser with respect to Finance Charge Receivables, Principal Receivables, and other sources of funds described in clause (ii) of this SECTION 2.03 in the manner prescribed herein, together with any capital or surplus of the Transferor remaining after all Secured Obligations under the Pooling and Servicing Agreement are repaid in full and the Trust Termination Date has occurred, shall be the sole and exclusive remedy available to the Originator, and to the extent that such payments are insufficient to pay such amounts, the Originator shall not have any claim against the Purchaser for such amounts and no further or additional recourse shall be available against the Purchaser and any such Subordinated Purchase Note shall be fully subordinated to any rights of Certificateholders under the Pooling and Servicing Agreement, shall not evidence any rights in the Receivables or the Exchangeable Transferor Certificate, shall be an obligation of the Purchaser solely by its execution hereof and need not be evidenced by any separate instrument of the Purchaser;

(v) no Subordinated Purchase Note may be sold, transferred, assigned, pledged, hypothecated, participated or otherwise conveyed, nor may the Originator grant any security interest in any Subordinated Purchase Note; and

(vi) the Purchaser may offset any amount due and owing by the Originator against any amount due and owing by the Purchaser to the Originator under the terms of the Subordinated Purchase Note.

The Purchaser, at its option, may repay all or any portion of the accrued interest on and principal of any Subordinated Purchase Note at any time.

(b) The Purchaser shall pay all amounts to be paid in cash with respect to the Purchases to the Originator on the date of the Purchase thereof and shall pay all amounts in respect of principal of and interest on any Subordinated Purchase Note in accordance with the terms thereof.

(c) All payments hereunder shall be made not later than the close of business (New York City time) on the date specified therefor in lawful money of the United States of America in same day funds to the bank account designated in writing by the Originator to the Purchaser from time to time.

(d) Whenever any payment to be made hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

SECTION 2.04. REPURCHASE OF RECEIVABLES.

(a) If any of the representations or warranties of the Originator contained in SECTIONS 4.02 or 4.03 hereof was not true with respect to the Originator or any Receivable, as applicable, at the time such representation or warranty was made, and as a result thereof (i) the Purchaser is required to repurchase any Receivable from the Trust pursuant to Section 2.4(d) of the Pooling and Servicing Agreement or (ii) any Receivable is designated an "Ineligible Receivable" pursuant to Section 2.4(c) of the Pooling and Servicing Agreement, then the Originator shall be obligated to pay to the Purchaser immediately upon the Purchaser's demand therefor an amount equal to the amount of

all losses, damages and liabilities of the Purchaser that result from such breach, including but not limited to the cost of the Purchaser's repurchase obligations pursuant to Section 2.4(d) of the Pooling and Servicing Agreement.

(b) Upon any exercise by the Purchaser of its right to designate Removed Accounts pursuant to Section 2.7(d) of the Pooling and Servicing Agreement and the removal of any Receivables from the Trust pursuant thereto, the Originator will immediately repurchase such Receivables from the Purchaser by tendering to the Purchaser an amount in immediately available funds equal to the amount the Purchaser remitted to the Trust (calculated as set forth in Section 2.7 of the Pooling and Servicing Agreement) in consideration of the transfer of the removed Receivables from the Trust to the Purchaser.

SECTION 2.05. CUSTOMER SERVICE ADJUSTMENTS. The Originator may make an adjustment in the principal amount or finance or other charges accrued or payable with respect to the account of a customer who has obtained credit under a Charge Account Agreement, PROVIDED that such adjustment is permitted under the Originator's Credit and Collection Policy. The aggregate amount of all such adjustments made by the Originator during any Settlement Period shall be payable to the Purchaser by the Originator and shall be due no later than the Settlement Date that occurs at the end of such Settlement Period.

SECTION 2.06. ADDITION OF ORIGINATORS. Notwithstanding anything to the contrary in this Agreement, any direct or indirect wholly owned subsidiary of the Company (whether now in existence or acquired or created after the date hereof) may at any time become an Originator hereunder, whether in addition to or in substitution for one or more

then existing Originators (each such additional or substitute Originator, an "ADDITIONAL ORIGINATOR"), PROVIDED that, (i) at the time such direct or indirect wholly owned subsidiary becomes an Additional Originator, such direct or indirect wholly owned subsidiary (a) agrees in writing to sell Receivables to the Purchaser on terms and subject to the conditions set forth in this Agreement, (b) complies with the conditions set forth in SECTION 3.01(b), (c) makes the representations and warranties set forth in SECTIONS 4.02 and 4.03 and (d) agrees in writing to comply with the covenants set forth in ARTICLE V and (ii) the Purchaser shall have received notice from each Rating Agency that the inclusion of the Additional Originator pursuant to this SECTION 2.06 will not result in a reduction or withdrawal of its then existing rating of any Class of Investor Certificates then issued and outstanding. Following the addition or substitution of any Additional Originator, the term "ORIGINATOR" as used in this Agreement shall include for all purposes such Additional Originator.

SECTION 2.07. APPLICATION OF COLLECTIONS. For purposes of determining the Outstanding Balances of Receivables, upon receipt by the Servicer of Collections with respect to any Receivable, such Collections shall be applied to the Outstanding Balances of Receivables in order of their Initiation Dates, beginning with the Receivables having the earliest Initiation Date.

ARTICLE III.
CONDITIONS TO PURCHASES

SECTION 3.01. CONDITIONS PRECEDENT TO THE PURCHASER'S INITIAL PURCHASE. The obligation of the Purchaser to purchase Receivables hereunder on the Initiation Date from the Originator is subject to the conditions precedent that (a) the Pooling and Servicing Agreement shall be in full force and effect, (b) the Servicer shall have delivered a letter signed by it to each Lock-Box Bank of the Servicer, such letter to be in substantially the form of ANNEX L to this Agreement (each, a "LOCK-BOX AGREEMENT"), and (c) the Purchaser shall have received on or before the date of such Purchase the following, each (unless otherwise indicated) dated the day of such sale and in form and substance satisfactory to the Purchaser:

(i) a copy of duly adopted resolutions of the Board of Directors of the Originator authorizing this Agreement, the documents to be delivered by the Originator hereunder and the transactions contemplated hereby, certified by the Secretary or Assistant Secretary of the Originator;

(ii) a duly executed certificate of the Secretary or an Assistant Secretary of the Originator certifying the names and true signatures of the Authorized Officers authorized on behalf of the Originator to sign this Agreement or any instruments or documents in connection with this Agreement; and

(iii) (A) executed Financing Statements (Forms UCC-1) with respect to the Receivables, naming the Originator as seller and the Purchaser

as purchaser, in proper form for filing in each jurisdiction in which the Purchaser deems it necessary or desirable to perfect the Purchaser's ownership thereof under the Uniform Commercial Code or comparable law of such jurisdiction and (B) evidence that all other actions necessary or, in the opinion of the Purchaser, desirable or required to perfect the Purchaser's ownership of the Receivables sold hereunder have been duly taken.

SECTION 3.02. CONDITIONS PRECEDENT TO THE ORIGINATOR'S INITIAL SALE. The obligation of the Originator to make its initial sale of Receivables hereunder is subject to the condition precedent that the Originator shall have received on or before the date of such sale the following, each (unless otherwise indicated) dated the day of such initial sale and in form and substance satisfactory to the Originator:

(a) a copy of duly adopted resolutions of the Board of Directors of the Purchaser authorizing this Agreement, the documents to be delivered by the Purchaser hereunder and the transactions contemplated hereby, certified by the Secretary or Assistant Secretary of the Purchaser; and

(b) a duly executed certificate of the Secretary or Assistant Secretary of the Purchaser certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement and the other documents to be delivered by it hereunder.

SECTION 3.03. CONDITIONS PRECEDENT TO ALL SALES. The obligation of the Originator to make any sale (including the initial sale) of Receivables hereunder shall be subject to the further condition precedent that on the date for such sale the following statements shall be true (and the payment by the Purchaser of the Purchase Price shall constitute a representation and warranty by the Purchaser that on such date such statements are true):

(a) the representations and warranties of the Purchaser contained in SECTION 4.01 are correct on and as of such Purchase Date as though made on and as of such date; and

(b) no event has occurred and is continuing that constitutes a Trust Pay Out Event.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES

SECTION 4.01. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser represents and warrants as to itself as follows:

(a) It (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified

as a foreign corporation and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its condition (financial or otherwise), operations, properties or prospects, (ii) has the requisite corporate power and authority to effect the transactions contemplated hereby, and (iii) has all requisite corporate power and authority and the legal right to own, pledge, mortgage and operate its properties, and to conduct its business as now or currently proposed to be conducted.

(b) The execution, delivery and performance by the Purchaser of this Agreement and all instruments and documents to be delivered hereunder by it, and the transactions contemplated hereby and thereby, (i) are within its corporate powers, have been duly authorized by all necessary corporate action, including the consent of shareholders where required, and do not (A) contravene its charter or by-laws, (B) violate any law or regulation or any order or decree of any court or governmental instrumentality, (C) conflict with or result in the breach of, or constitute a default under, any indenture, mortgage or deed of trust or any material lease, agreement or other instrument binding on or affecting it or any of its subsidiaries or any of its properties or (D) result in or require the creation or imposition of any Lien as created or imposed hereunder or under the Pooling and Servicing Agreement, and no transaction contemplated hereby requires compliance on its part with any bulk sales act or similar law, and (ii) do not require the consent, authorization by or approval of or notice to or filing or registration with, any governmental body, agency, authority, regulatory body or any other Person other than those which have been obtained EXCEPT for the filing of the Financing Statements referred to in SECTION 3.01 hereof, which filing the Originator hereby represents shall have been duly made prior to or substantially contemporaneously with any Purchases and shall at all times be in full force and effect (except as they may be terminated by the Purchaser).

(c) This Agreement has been duly executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general, and (ii) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(d) There is no pending or, to its knowledge after due inquiry, threatened action or proceeding affecting it or any of its subsidiaries before any court, governmental agency or arbitrator that may reasonably be expected to materially and adversely affect its condition (financial or otherwise), operations, properties or prospects, or that purports to affect the legality, validity or enforceability of this Agreement, and none of the transactions contemplated hereby is or to its knowledge is threatened to be restrained or enjoined (temporarily, preliminarily or permanently).

SECTION 4.02. REPRESENTATIONS AND WARRANTIES OF THE ORIGINATOR. The Originator hereby represents and warrants to the Purchaser that, as of the Initial Closing Date and as to matters involving (x) Supplemental Accounts, as of the applicable Addition Date and (y) Automatic Additional Accounts, as of the date the Receivables of such Accounts are designated for inclusion in the Trust:

(a) ORGANIZATION AND GOOD STANDING. The Originator is a national banking association duly organized and validly existing in good standing under the laws of the United States and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform

its obligations under this Agreement.

(b) DUE QUALIFICATION. The Originator is duly qualified to do business and is in good standing (or is exempt from such requirement) in any state required in order to conduct business, and has obtained all necessary licenses and approvals with respect to the Originator required under federal and applicable state law.

(c) DUE AUTHORIZATION. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement have been duly authorized by the Originator by all necessary corporate action on its part and this Agreement will remain, from the time of its execution, an official record of the Originator.

(d) BINDING OBLIGATION. This Agreement, and the consummation of the transactions provided for herein, constitutes a legal, valid and binding obligation of the Originator, enforceable in accordance with its terms, except as (i) enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement of creditors' rights in general and (ii) as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(e) NO CONFLICTS. The execution, delivery and performance of this Agreement, the performance of the transactions contemplated by this Agreement, and the fulfillment of the terms hereof by the Originator, do not (i) contravene its charter or By-Laws, (ii) violate any provision of, or require any filing (except for the filings under the UCC required by this Agreement, each of which has been duly made and is in full force and effect), registration, consent or approval under, any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Originator, except for such filings, registrations, consents or approvals as have already been obtained and are in full force and effect, (iii) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Originator is a party or by which it or its properties

may be bound or affected except those as to which a consent or waiver has been obtained and is in full force and effect and an executed copy of which has been delivered to the Purchaser, or (iv) result in, or require, the creation or imposition of any lien upon or with respect to any of the properties now owned or hereafter acquired by the Originator other than as specifically contemplated by this Agreement.

(f) TAXES. The Originator has filed all tax returns (federal, state and local) required to be filed and has paid or made adequate provision for the payment of all taxes, assessments and other governmental charges due from the Originator or is contesting any such tax, assessment or other governmental charge in good faith through appropriate proceedings. The Originator knows of no basis for any material additional tax assessment for any fiscal year for which adequate reserves have not been established.

(g) NO VIOLATION. The execution and delivery of this Agreement, the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with or violate any Requirements of Law applicable to the Originator.

(h) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the knowledge of the Originator, threatened against the Originator before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, (iii) seeking any determination or ruling that, in the reasonable judgment of the Originator, would materially and adversely affect the performance by the Originator of

its obligations under this Agreement or (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement.

(i) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or of any governmental body or official required in connection with the execution and delivery of this Agreement, the performance of the transactions contemplated by this Agreement and the fulfillment of the terms hereof, have been obtained.

(j) BONA FIDE RECEIVABLES. Each Receivable is or will be an account receivable arising out of the Originator's performance in accordance with the terms of the Charge Account Agreement giving rise to such Receivable. The Originator has no knowledge of any fact which should have led it to expect at the time of the initial creation of an interest in any Eligible Receivable hereunder that such Eligible Receivable would not be paid in full when due. Each Receivable classified as an "Eligible Receivable" by the Originator in any document or report delivered hereunder satisfies the requirements of eligibility contained in the definition of Eligible Receivable.

(k) PLACE OF BUSINESS. The principal place of business of the Originator is as indicated in SECTION 8.02, and the offices where the Originator keeps its records concerning the Receivables and related contracts are as indicated on SCHEDULE II hereto.

(l) USE OF PROCEEDS. No proceeds of the sale of any Receivables will be used by the Originator to purchase or carry any margin security.

(m) PURCHASE TERMINATION EVENT. As of the Initial Closing Date, no Purchase Termination Event or Incipient Purchase Termination Event has occurred and is continuing.

(n) NOT AN INVESTMENT COMPANY. The Originator is not an "investment company" within the meaning of the Investment Company Act, or is exempt from all provisions of such Act.

(o) SOLVENCY. The Originator is not insolvent and will not be rendered insolvent upon the transfer of the Receivables to the Purchaser.

The representations and warranties set forth in this SECTION 4.02 shall survive the transfer and assignment of the respective Receivables to the Purchaser pursuant to this Agreement. Upon discovery by the Originator or the Purchaser of a breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the other.

SECTION 4.03. REPRESENTATIONS AND WARRANTIES OF THE ORIGINATOR RELATING TO THIS AGREEMENT AND THE RECEIVABLES.

(a) BINDING OBLIGATION; VALID TRANSFER AND ASSIGNMENT. The Originator hereby represents and warrants to the Purchaser that, as of the Initial Closing Date and with respect to any Series of Certificates, as of the date of its related Supplement and Closing Date, and, with respect to any Series and matters involving (x) Supplemental Accounts, as of the applicable Addition Date and (y) Automatic Additional Accounts, as of the date the Receivables of such Accounts are designated for inclusion in the Trust:

(i) This Agreement constitutes the legal, valid and binding obligation of the Originator, enforceable against the Originator in accordance with its terms, except (A) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general, and (B) as such enforceability may be limited by general principles of equity

(whether considered in a suit at law or in equity).

(ii) This Agreement constitutes either (A) a valid transfer, assignment, set-over and conveyance to the Purchaser of all right, title and

interest of the Originator in and to the Purchases, and such Purchases will be held by the Purchaser free and clear of any Lien of any Person claiming through or under the Originator or any of its Affiliates except for Permitted Liens or (B) a grant of a security interest (as defined in the UCC as in effect in the Relevant UCC State) in, to and under the Purchases, which grant is enforceable with respect to the existing Receivables and the proceeds thereof upon execution and delivery of this Agreement, and which will be enforceable with respect to such Receivables hereafter created and the proceeds thereof, upon such creation. If this Agreement constitutes the grant of a security interest to the Purchaser in such property, upon the filing of the financing statement described in SECTION 3.01(c) and in the case of the Receivables hereafter created and proceeds thereof, upon such creation, the Purchaser shall have a first priority perfected security interest in such property, except for Permitted Liens.

(iii) The Originator is not insolvent.

(iv) The Originator is the legal and beneficial owner of all right, title and interest in and to each Receivable and each Receivable has been or will be transferred to the Purchaser free and clear of any Lien other than Permitted Liens.

(v) All consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Originator in connection with the transfer of Purchases to the Purchaser have been duly obtained, effected or given and are in full force and effect.

(vi) The Originator has clearly and unambiguously marked all its computer records and all its microfiche storage files regarding the Receivables as the property of the Purchaser and shall maintain such records in a manner such that the Purchaser shall have a perfected security interest in such Receivables.

(vii) As of the Initial Closing Date, on the Business Day following the date the Servicer receives a Termination Notice pursuant to Section 10.1 of the Pooling and Servicing Agreement and on the Business Day following any Amortization Period Commencement Date, Schedule 1 to the Pooling and Servicing Agreement is and will be an accurate and complete listing of all Accounts in all material respects as of such day and the information contained therein with respect to the identity of each Account and the aggregate unpaid balance of the Receivables existing thereunder is and will be true and correct in all material respects as of such day.

(viii) Each Account classified as an "Eligible Account" by the Originator in any document or report delivered hereunder will satisfy the

requirements contained in the definition of Eligible Account and each Receivable classified as an "Eligible Receivable" by the Originator in any document or report delivered hereunder will satisfy the requirements contained in the definition of Eligible Receivable.

(ix) All material information with respect to the Accounts and the Receivables provided to the Purchaser by the Originator was true and correct as of the Closing Date, or as of the day Receivables arising under each such Account are designated for inclusion in the Purchases, as the case may be.

(x) Each Receivable then existing has been conveyed to the Purchaser free and clear of any Lien of any Person claiming through or under the Originator or any of its Affiliates (other than Permitted Liens) and in compliance in all material respects, with all Requirements of Law applicable to the Originator.

(xi) With respect to each Receivable then existing, all consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Originator in connection with the conveyance of such Receivable to the Purchaser have been duly obtained, effected or given and are in full force and effect.

(xii) On each day on which any new Receivable arises and is transferred to the Purchaser pursuant to this Agreement, the Originator shall be deemed to represent and warrant to the Purchaser that (A) each Receivable transferred to the Purchaser on such day has been conveyed to the Purchaser in compliance, in all material respects, with all Requirements of Law applicable to the Originator and free and clear of any Lien of any Person claiming through or under the Originator or any of its Affiliates (other than Permitted Liens) and (B) with respect to each such Receivable, all consents, licenses, approvals or authorizations of or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Originator in connection with the conveyance of such Receivable to the Purchaser have been duly obtained, effected or given and are in full force and effect.

(b) NOTICE OF BREACH. The representations and warranties set forth in this SECTION 4.03 shall survive the transfer and assignment of the respective Receivables to the Purchaser. Upon discovery by the Originator or the Purchaser of a breach of any of the representations and warranties set forth in this SECTION 4.03, the party discovering such breach shall give prompt written notice to the other party mentioned above. The Originator agrees to cooperate with the Purchaser in attempting to cure any such breach.

ARTICLE V.
GENERAL COVENANTS

SECTION 5.01. COVENANTS OF THE ORIGINATOR. So long as the Purchaser shall have any Net Ownership Interest in any Receivables sold by the Originator or until the Purchase Termination Date shall have occurred, whichever is later, the Originator covenants that:

(a) RECEIVABLES TO BE ACCOUNTS OR GENERAL INTANGIBLES. The Originator will take no action to cause any Receivable to be evidenced by any instrument (as defined in the UCC as in effect in the Relevant UCC State). The Originator will take no action to cause any Receivable to be anything other than an "account" or a "general intangible" (each as defined in the UCC as in effect in the Relevant UCC State).

(b) SECURITY INTERESTS. Except for the conveyances hereunder, the Originator will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on any Receivable, whether now existing or hereafter created, or any interest therein; the Originator will immediately notify the

Purchaser of the existence of any Lien on any Receivable; and the Originator shall defend the right, title and interest of the Purchaser in, to and under the Receivables, whether now existing or hereafter created, against all claims of third parties claiming through or under the Originator; PROVIDED, HOWEVER, that nothing in this SECTION 5.01(b) shall prevent or be deemed to prohibit the Originator from suffering to exist upon any of the Receivables any Permitted Lien.

(c) CHARGE ACCOUNT AGREEMENTS AND CREDIT AND COLLECTION POLICIES. The Originator shall comply with and perform its 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 under the Pooling and Servicing Agreement or under the Certificates. The Originator 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 Originator, cause, immediately or with the passage of time, a Pay Out Event to occur and (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 Originator, 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 Originator over the Investor Certificateholders, except as otherwise restricted by an endorsement, sponsorship, or other agreement between the

Originator and an unrelated third party or by the terms of the Charge Account Agreements.

(d) DELIVERY OF COLLECTIONS. If the Originator receives Collections, the Originator agrees to pay to the Servicer all payments received by the Originator in respect of the Receivables as soon as practicable after receipt thereof by the Originator.

(e) CONVEYANCE OF ACCOUNTS. The Originator covenants and agrees that it will not convey, assign, exchange or otherwise transfer any Account to any Person prior to the termination of this Agreement; PROVIDED, HOWEVER, that the Originator shall not be prohibited hereby from conveying, assigning, exchanging or otherwise transferring an Account of the Originator in connection with a transaction contemplated by, or in which the Originator and its successor agree to comply with provisions substantially similar to the provisions of, either Section 2.7 or Section 7.2 of the Pooling and Servicing Agreement.

(f) NOTICE OF LIENS. The Originator shall notify the Purchaser promptly after becoming aware of any Lien on any Receivable other than Permitted Liens.

(g) COMPLIANCE WITH LAWS, ETC. The Originator shall comply in all material respects with all applicable laws, rules, regulations and orders applicable to the Receivables, including, without limitation, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy, where failure so to comply could reasonably be expected to have an adverse impact on the amount of Collections thereunder.

(h) PRESERVATION OF CORPORATE EXISTENCE. Except in connection with a transaction contemplated by either Section 2.7 or Section 7.2 of the Pooling and Servicing Agreement or as a result of a transaction that effects a merger of the Originator into or with another Affiliate of the Company or a consolidation among two or more Affiliates of the Company, the Originator shall preserve and maintain

in all material respects its corporate existence, corporate rights (charter and statutory) and corporate franchises.

(i) VISITATION RIGHTS. At any reasonable time during normal business hours and from time to time, the Originator shall permit (i) the Purchaser, or any of its agents or representatives, to examine and make copies of and abstracts from the records, books of account and documents (including, without limitation, computer tapes and disks) of the Originator relating to Receivables owned or to be purchased by the Purchaser hereunder and to the underlying Charge Account Agreements and (ii) the Purchaser, or any of its agents or representatives, or the Trustee (upon the giving of appropriate notice to the Purchaser) to visit the properties of the Originator for the purpose of examining such records, books of account and documents, and to discuss the affairs, finances and accounts of the Originator relating to the Receivables

or to the Originator's performance hereunder with any of its officers or directors and with its independent certified public accountants.

(j) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. The Originator shall maintain and implement, or cause to be maintained or implemented, administrative and operating procedures reasonably necessary or advisable for the collection of all such Receivables, and, until the delivery to the Purchaser, keep and maintain, or cause to be kept and maintained, all documents, books, records and other information reasonably necessary or advisable for the collection of all such Receivables.

(k) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND CHARGE ACCOUNT AGREEMENTS. The Originator shall at its expense take all actions on its part reasonably necessary to maintain in full force and effect its rights under all Charge Account Agreements to which the Originator is a party.

(l) LOCATION OF RECORDS. The Originator shall keep its chief place of business and chief executive office, and the offices where it keeps the records concerning the Receivables and all underlying Charge Account Agreements (and all original documents relating thereto), at the address or addresses of the Originator specified in SCHEDULE II hereto or upon written notice to the Purchaser, at such other locations in a jurisdiction where all action required by SECTION 5.01(o) shall have been taken and completed and be in full force and effect.

(m) FURNISHING COPIES. ETC. The Originator shall furnish to the Purchaser: (i) upon the Purchaser's request, a certificate of the chief financial officer of the Originator certifying, as of the date thereof, that no Purchase Termination Event has occurred and is continuing and setting forth the computations used by the chief financial officer of the Originator in making such determination; (ii) as soon as possible and in any event within five (5) days after the occurrence of any Purchase Termination Event or Incipient Purchase Termination Event, a statement of the chief financial officer of the Originator setting forth details of such Purchase Termination Event or Incipient Purchase Termination Event and the action that the Originator proposes to take or has taken with respect thereto; (iii) promptly after obtaining knowledge that a Receivable was, at the time of the Purchaser's purchase thereof, not an Eligible Receivable, notice thereof; and (iv) promptly following the Purchaser's request therefor, such other information, documents, records or reports with respect to the Receivables or the underlying Charge Account Agreements or the conditions or operations, financial or otherwise, of the Originator, as the Purchaser may from time to time

reasonably request.

(n) OBLIGATION TO RECORD AND REPORT. The Originator shall, to the fullest extent permitted by U.S. GAAP and by applicable law, record each Purchase as a sale on its books and records, reflect each Purchase in its financial statements and tax returns as a sale and recognize gain or loss, as the case may be, on each Purchase.

(o) CONTINUING COMPLIANCE WITH THE UNIFORM COMMERCIAL CODE. The Originator shall, without limiting the requirements of SECTION 5.01(r), at its expense, preserve, continue, and maintain or cause to be preserved, continued, and maintained the Purchaser's valid and properly protected title to each Receivable purchased hereunder, including, without limitation, filing or recording Uniform Commercial Code financing statements in each relevant jurisdiction.

(p) PROCEEDS OF RECEIVABLES. The Originator shall cause all payments (other than In-Store Payments) made by Obligors in respect of purchased Receivables to be made to (i) a Lock-Box Account or (ii) a post office box under the control of employees of the Servicer, provided that payments may be made to such a post office box only if employees of the Servicer (A) handle the processing of all amounts so received and (B) deposit or otherwise credit, or cause to be deposited or otherwise credited, as soon as reasonably practicable but in any event not later than the close of business in New York City on the third Business Day following the date of such receipt, to a Lock-Box Account, the entire amount so received.

(q) LOCK-BOX AGREEMENTS. The Originator shall, within 60 days of the date of this Agreement, deliver to the Purchaser a Lock-Box Agreement, duly countersigned and agreed to by each bank holding a lock-box account of the Originator or, if any such bank fails to agree to the terms thereof, by such other bank as shall agree to become a Lock-Box Bank for the Originator on the terms and conditions set forth in such Lock-Box Agreement.

(r) FURTHER ACTION EVIDENCING PURCHASES.

(i) The Originator agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable or that the Purchaser may reasonably request, to protect or more fully evidence the Purchaser's ownership, right, title and interest in the Receivables sold by the Originator and its rights under the Charge Account Agreements with respect thereto, or to enable the Purchaser to exercise or enforce any such rights. Without limiting the generality of the foregoing, the Originator will upon the request of the Purchaser (A) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or, in the opinion of the Purchaser, desirable, (B) indicate on its books and records (including, without limitation, originals and copies of sales slips and billing statements, to the extent practicable) that Receivables have been sold and assigned to the Purchaser, and provide to the Purchaser, upon request, copies of any such records and (C) contact customers to confirm and verify Receivables.

(ii) The Originator hereby irrevocably authorizes the Purchaser to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Receivables sold by the Originator,

or the underlying Charge Account Agreements with respect thereto, without the signature of the Originator where

permitted by law.

(iii) If the Originator fails to perform any of its agreements or obligations under this Agreement, the Purchaser may (but shall not be required to) perform, or cause performance of, such agreements or obligations, and the expenses of the Purchaser incurred in connection therewith shall be payable by the Originator as provided in SECTION 8.06.

(s) CHANGE IN BUSINESS. The Originator shall not make any change in the nature of its business as conducted on the date hereof that could reasonably be expected to have a material adverse effect on the value or collectibility of the Receivables.

(t) IN-STORE PAYMENTS. In the event that the Originator or any Federated retail operating subsidiary receives any amounts in respect of collections of Receivables, including, without limitation, all In-Store Payments, such Originator or Federated retail operating subsidiary shall deposit or otherwise credit, or cause to be deposited or otherwise credited, as soon as reasonably practicable but in any event not later than the close of business in New York City on the second Business Day following the Date of Processing of such Collections, to a Lock-Box Account or the Collection Account, the entire amount so received and hold such amount in trust for the Servicer pending such remittance.

ARTICLE VI.
PURCHASE TERMINATION EVENTS

SECTION 6.01. PURCHASE TERMINATION EVENTS. If any of the following events (each, a "PURCHASE TERMINATION EVENT") shall occur and be continuing:

(a) The Originator shall consent to the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to all or substantially all of its property, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Originator and such decree or order shall have remained in force discharged or unstayed for a period of 60 days, or the Originator shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligation or the Originator shall become unable for any reason to

transfer Receivables to the Purchaser in accordance with the provisions of this Agreement; or

(b) a Trust Pay Out Event occurs;

then the Purchaser's obligation to purchase Receivables from the Originator shall automatically be terminated.

ARTICLE VII.
INDEMNIFICATION

SECTION 7.01. INDEMNITIES BY THE ORIGINATOR. Without limiting any other rights that the Purchaser may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Purchaser from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) (all the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") arising out of or resulting from this Agreement or in

respect of any Receivable or any Charge Account Agreement, excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of the Purchaser; PROVIDED, HOWEVER, that, except as expressly provided in subparagraph (a) of this SECTION 7.01, in no event will the Originator have any indemnity or other obligation hereunder or otherwise with respect to any loss suffered in respect of any Eligible Receivable transferred to the Purchaser in accordance with this Agreement, the parties hereby acknowledging that such transfers are to be without recourse. Without limiting or being limited by the foregoing but subject to the proviso in the immediately proceeding sentence, the Originator shall pay on demand to the Purchaser any and all amounts necessary to indemnify the Purchaser from and against any and all Indemnified Amounts relating to or resulting from:

(a) reliance on any representation or warranty or statement made or deemed made by the Originator (or any of its officers) under or in connection with this Agreement or in any certificate delivered pursuant hereto that, in either case, shall have been false or incorrect in any material respect when made or deemed made;

(b) the failure by the Originator to comply with any applicable law, rule or regulation of any governmental authority with respect to any Receivable or the related Charge Account Agreement of the Originator, or the nonconformity of any Receivable or the related Charge Account Agreement of the Originator with any such applicable law, rule or regulation;

(c) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the Uniform Commercial Code of any applicable jurisdiction or other applicable laws with respect to any Receivables of the Originator;

(d) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable of the Originator (including, without limitation, a defense based on such Receivable or the related Charge Account Agreement not being a legal, valid and binding obligation of such Obligor enforceable against such Obligor in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to any such Receivable or the furnishing or failure to furnish such merchandise or services;

(e) any failure of the Originator to perform its duties or obligations under this Agreement or the applicable Charge Account Agreement;

(f) any products liability claim arising out of or in connection with merchandise, insurance or services that are the subject of any charge pursuant to any Charge Account Agreement of the Originator;

(g) the commingling of Collections of Receivables at any time with other funds of the Originator; or

(h) any investigation, litigation or proceeding related to this Agreement or in respect of any Receivable or any Charge Account Agreement of the Originator.

Notwithstanding the foregoing, the Originator shall in no circumstances be required to indemnify the Purchaser for any Indemnified Amounts that result from any delay in the collection of any Receivables or any default by an Obligor with respect to any Receivables.

SECTION 7.02. INDEMNITIES BY THE PURCHASER. Without limiting any other rights that the Originator may have hereunder or under applicable law, the Purchaser hereby agrees to indemnify the Originator from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) arising out of or resulting from the Originator's reliance on any representation or warranty made by the Purchaser in this Agreement or in any certificate

delivered pursuant hereto that, in either case, shall have been false or incorrect in any material respect when made or deemed made.

ARTICLE VIII.
MISCELLANEOUS

SECTION 8.01. AMENDMENT.

(a) This Agreement may be amended from time to time by the Originator and the Purchaser to cure any ambiguity, to revise any exhibits or schedules, to correct or supplement any provisions herein or thereon that may be inconsistent with any other provisions herein or thereon or to add any other provisions with respect to matters or questions raised under this Agreement that shall

not be inconsistent with the provisions of this Agreement; PROVIDED, HOWEVER, that such action shall not, as evidenced by an Officer's Certificate of the Servicer delivered to the Trustee, adversely affect in any material respect the interests of any of the Investor Certificateholders.

This Agreement, including any schedule or exhibit thereto, may also be amended from time to time by the Originator and the Purchaser for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement; 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 Investor 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 any outstanding Series of Investor Certificates or any Certificateholder and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall not have received notice from any Rating Agency to the effect that the current rating of any Series or any class of any Series would be reduced as a result of such amendment.

(b) This Agreement may also be amended from time to time by the Originator and the Purchaser 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 this Agreement or of modifying in any manner the rights herein of the Investor Certificateholders of any Series then issued and outstanding; PROVIDED, HOWEVER, that no such amendment under this subsection shall (i) reduce in any manner the amount of, or delay the timing of, distributions that are required to be made on any Investor Certificate of such Series without the consent of all of the related Investor Certificateholders; or (ii) reduce the aforesaid percentage required to consent to any such amendment, in each case without the consent of all such Investor Certificateholders.

(c) Promptly after the execution of any such amendment (other than an amendment pursuant to paragraph (a)), the Trustee shall furnish notification of the substance of such amendment to each Investor Certificateholder of each Series adversely affected and ten Business Days prior to the proposed effective date for such amendment the Servicer shall furnish notification of the substance of such amendment to each Rating Agency providing a rating for such Series.

(d) It shall not be necessary to obtain the consent of Investor Certificateholders under this SECTION 8.01 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the

authorization of the execution thereof by Investor Certificateholders shall be subject to such reasonable requirements as the Trustee may prescribe.

SECTION 8.02. NOTICES, ETC. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile or cable communication) and mailed, telegraphed, telexed, transmitted, cabled or delivered, if to the Originator, at 9111 Duke Boulevard, Mason, Ohio 45040 Attention: President, if to the Purchaser, at its address at 9111 Duke Boulevard, Mason, Ohio 45040 Attention: President (with a copy to the Servicer as hereinafter provided); and if to the Servicer, at 9111 Duke Boulevard, Mason, Ohio 45040 Attention: President, or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall when mailed, telegraphed, telexed, transmitted or cabled be effective when deposited in the mails, delivered to the telegraph company, confirmed by telex answerback, transmitted by telecopier or delivered to the cable company, respectively, except that notices to the Purchaser pursuant to ARTICLE II shall not be effective until received by the Purchaser.

SECTION 8.03. NO WAIVER; REMEDIES. No failure on the part of the Purchaser to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Originator and the Purchaser and their respective successors and assigns, except that the Originator shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Purchaser. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect as between the Purchaser and the Originator until such time, after the Purchase Termination Date applicable to the Originator, as the Purchaser shall not have any net ownership interest in any Receivables; PROVIDED, HOWEVER, that the indemnification provisions of ARTICLE VII shall be continuing and shall survive any termination of this Agreement.

SECTION 8.05. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND 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, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT THE VALIDITY OR PROTECTION OF THE PURCHASER'S OWNERSHIP OF THE PURCHASED RECEIVABLES, OR REMEDIES HEREUNDER IN RESPECT THEREOF, MAY BE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 8.06. COSTS, EXPENSES AND TAXES. In addition to the limited rights of indemnification granted to the Purchaser under ARTICLE VII hereof, the Originator agrees to pay on demand all costs and expenses of the Purchaser in connection with the preparation, execution and delivery of this Agreement and the documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Purchaser with respect thereto and with respect to advising the Purchaser as to its rights and remedies under this Agreement, and all costs and expenses (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the documents to be delivered hereunder. In addition, the Originator agrees to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents to be delivered hereunder, and agree to hold the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes and fees.

SECTION 8.07. ACKNOWLEDGMENT OF ASSIGNMENTS. The Originator hereby acknowledges and consents to the assignment by the Purchaser of Receivables and the rights of the Purchaser under this Agreement pursuant to the Pooling and Servicing Agreement.

SECTION 8.08. NO PETITION IN BANKRUPTCY. The Originator covenants and agrees that prior to the date that is one year and a day after the Purchase Termination Date, it will not institute against or join any other Person in instituting against the Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any State of the United States.

[The remainder of this page is intentionally left blank.]

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

THE ORIGINATOR:

FDS NATIONAL BANK, a national banking association

By: /s/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

THE PURCHASER:

PRIME II RECEIVABLES CORPORATION, a Delaware corporation

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Chairman of the Board

EXHIBIT A

FORM OF SETTLEMENT STATEMENT

PRIME CREDIT CARD MASTER TRUST II

SERIES 1997-1 MONTHLY CERTIFICATEHOLDERS STATEMENT

<TABLE>
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<S> <C> <C> <C> <C>

Distribution Date:	01-Jan-97			
Monthly Period:	January			
	01-Jan-97			
	01-Jan-97			
(i) Net Principal Collections/Allocation				0.00
Class A Allocation				0.00
Class B Allocation				0.00

Class C Allocation		0.00
(ii) Total Finance Charge Collections/Allocation		0.00
Of Which Interchange		0.00
Class A Allocation		0.00
Class B Allocation		0.00
Class C Allocation		0.00
(iii) Principal Receivables	01-Jan-97	0.00
Invested Amount		0.00
Class A		0.00
Class B		0.00
Class C		0.00
Transferor Amount		0.00
Percentage		0.00%
Fixed/Floating Allocation Percentage		0.00
Class A		0.00%
Class B		0.00%
Class C		0.00%

(iv) Delinquency

Current	0.00	0.00%
30 Days	0.00	0.00%
60 Days	0.00	0.00%
90 Days	0.00	0.00%
120 Days	0.00	0.00%
150 Days	0.00	0.00%
180 Days +	0.00	0.00%
Total	0.00	0.00%

(v) Aggregate Investor Default Amount	0.00
Percentage of Average Invested Amount	0.00%
(vi) Aggregate Investor Uncovered Dilution	0.00
(vii) Investor Charge Offs/Recoveries	0.00
Class A Charge Offs	0.00
Class A Charge Off Recoveries	0.00
Class B Charge Offs	0.00
Class B Charge Off Recoveries	0.00
Class C Charge Offs	0.00
Class C Charge Off Recoveries	0.00
(viii) Monthly Servicing Fee	0.00

	Average of 6 Months	Average of 3 Months	Current Month
(ix) Payment Rate Percentage	0.00%	0.00%	0.00%
Excess Spread Percentage	0.00%	0.00%	0.00%

(x) Reserve Account:	
Required Reserve Account Percentage	0.00%
Opening Balance	0.00
Deposits	0.00
Disbursement	0.00
Closing Balance	0.00
(xi) Portfolio Yield	0.00%
Average Base Rate	0.00%

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PRIME CREDIT CARD
MASTER TRUST II
SETTLEMENT STATEMENT

<S> <C> <C>

Distribution Date: 15-Jan-97

Monthly Period: December 1996
1-Dec-96
4-Jan-97

(i) Collections 0.00
Finance Charge 0.00
Interchange 0.00
Principal 0.00

(ii) Investor Percentage - Principal Collections

Series 1997-1 0.00%
A 0.00%
B 0.00%
C 0.00%

Investor Percentage - Finance Charge Collections
and Receivables in Defaulted Accounts

Series 1997-1 0.00%
A 0.00%
B 0.00%
C 0.00%

(iii) Distribution Amount per $1,000

Series 1997-1
A 0.00
B 0.00
C 0.00

Total $'s Distributed
Series 1997-1 0.00

(iv) Allocation to Principal per $1,000

Series 1997-1
A 0.00
B 0.00
C 0.00

Total $'s Distributed
Series 1997-1 0.00

(v) Allocation to Interest per $1,000

Series 1997-1
A 0.00
B 0.00
C 0.00
</TABLE>

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PRIME CREDIT CARD
MASTER TRUST II
SETTLEMENT STATEMENT

<S> <C> <C>

Total $'s Distributed		
Series 1997-1		0.00

(vi) Investor Default Amount

Series 1997-1		0.00
A	0.00	
B	0.00	
C	0.00	

(vii) Investor Charge Offs and Reinbursements

Series 1997-1	Charge Offs		0.00
A		0.00	
B		0.00	
C		0.00	
Series 1997-1	Reimbusements		0.00
A		0.00	
B		0.00	
C		0.00	

(viii) Servicing Fees

Series 1997-1		0.00
A	0.00	
B	0.00	
C	0.00	

(ix) Deficit Controlled Amortization Amount

Series 1997-1		0.00
A	0.00	
B	0.00	
C	0.00	

(x) Receivables in Trust 0.00

(xi) Invested Amount

Series 1997-1		0.00
A	0.00	
B	0.00	
C	0.00	

(xii) Enhancement 0.00

(xiii) Pool Factor 0.00

(xiv) Yield Factor 0.00
Finance Charge Receivables Factor 0.00

(xv) Payout Event NO

</TABLE>

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SCHEDULE I

AUTHORIZED OFFICERS OF ORIGINATOR

Name	Title
<S>	<C>

James J. Amann	Chairman and Chief Executive Officer
John E. Brown	President
Stephen C. Baldridge	Chief Financial Officer
Susan R. Robinson	Treasurer
David L. Faulk	Vice President

</TABLE>

SCHEDULE II

Offices Where Books, Records, Etc.
Evidencing Receivables Are Kept

9111 Duke Boulevard
Mason, Ohio 45040

First Data Resources, Inc.
10815 South Old Mill Road
Omaha, Nebraska 61854-2607
Attention: Federated Services Team

SCHEDULE III

Discount Factor Formula

For any Monthly Period, the "DISCOUNT FACTOR" is defined as the sum of the Series Discount Factor (as defined below) for each Series whose Series Discount Factor is greater than zero.

The "SERIES DISCOUNT FACTOR" for each Series is defined as: $((A + B - C)/D) * E$

WHERE:

A = Base Rate for such Series

B = 1%

C = Net Finance Charge Portfolio Yield for such Series

D = Annual Portfolio Turnover Rate

E = Investor Percentage for such Series applicable to Finance Charge Collections

ANNEX 1

Form of Lock-Box Agreement

PRIME II RECEIVABLES CORPORATION
9111 Duke Boulevard
Mason, OH 45040

January 22, 1997

Star Bank, N.A.
P.O. Box 1038

Location 9125
Cincinnati, OH 45201

Attn: Ms. Jayne Ross

Re: ACCOUNT OWNERSHIP MODIFICATION
Prime II Receivables Corporation
Tax I.D.: Unassigned
Account #: N/A
Premier Visa Lockbox Account

Acting under the authority granted by the Board of Directors of Prime II Receivables Corporation (the "Company") on January 21, 1997, Star Bank, N.A. is hereby authorized to act as a bank of the Company. You are instructed to operate the account in accordance with the following instructions. Any previous instructions on file are superseded by the following:

NAME CHANGE
Effective the close of business January 22, 1997, the name on this account should be changed to "The Chase Manhattan Bank as Trustee of Prime Credit Card Master Trust II."

SIGNATORY AUTHORIZATION
I hereby designate the following as authorized signatories with respect to the above account:

No signatories

WIRE TRANSFERS
The only disbursements on this account shall be made by wire transfer to the following trustee account:

ACCOUNT #	BANK NAME	ABA ROUTING #
N/A	Chase Manhattan Bank	N/A

AUTOMATED CLEARING HOUSE TRANSACTIONS (ACH)/DEPOSITORY TRANSFER CHECKS (DTC)
The use of any form of automated clearing house transactions or depository transfer check, whether or not initiated, signed or approved by an authorized signatory, is expressly prohibited.

MAILING INSTRUCTIONS
Monthly bank statements and bank analysis statements should be mailed as follows:

Prime II Receivables Corporation
9111 Duke Boulevard
Mason, OH 45040
Attn: David W. Dawson

STATEMENT CUT-OFF DATES
Please cut off monthly bank statements at the end of each calendar month.

SPECIAL INSTRUCTIONS
All rights and privileges of FDS National Bank pertaining to the above-referenced account are terminated.

The tax I.D. number of Prime II Receivables Corporation will be provided when assigned.

Please direct any inquiries regarding this communication to Jason Bruewer at (513) 579-7364.

Please acknowledge receipt of this letter by signing and returning to the undersigned the enclosed copy. A self addressed, stamped envelope is enclosed for your convenience. Thank you for your assistance in this matter.

Sincerely,

/s/ Susan P. Storer

Susan P. Storer
President

Acknowledged By: /s/ Jayne M. Ross Date: 1/22/97

Exhibit 10.20

CLASS A CERTIFICATE PURCHASE AGREEMENT

Dated as of January 22, 1997

among

PRIME II RECEIVABLES CORPORATION,
as Transferor,

FDS NATIONAL BANK,
as Servicer,

THE CLASS A PURCHASERS PARTIES HERETO,

and

CREDIT SUISSE FIRST BOSTON, NEW YORK BRANCH,
as Agent and Administrative Agent

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CLASS A CERTIFICATE PURCHASE AGREEMENT, dated as of January 22, 1997, by and among PRIME II RECEIVABLES CORPORATION, a Delaware corporation ("PRIME II RECEIVABLES CORPORATION"), as Transferor (the "TRANSFEROR"), FDS NATIONAL BANK, a national banking association ("FDSNB"), as Servicer (the "SERVICER"), the CLASS A PURCHASERS from time to time parties hereto and CREDIT SUISSE FIRST BOSTON, a Swiss banking corporation acting through its New York Branch, 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, FDSNB, 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 1997-1 Variable Funding Supplement thereto, dated as of January 22, 1997 (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 1997-1 (the "CLASS A CERTIFICATES") and its Class B Variable Funding Certificates, Series 1997-1 (the "CLASS B CERTIFICATES" and,

together with the Class A Certificates, the "SERIES 1997-1 VARIABLE FUNDING CERTIFICATES") pursuant to the Pooling and Servicing Agreement;

WHEREAS, the Trust also proposes to issue its Class C Certificates, Series 1997-1 (the "CLASS C CERTIFICATES" and, together with the Series 1997-1 Variable Funding Certificates, the "SERIES 1997-1 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 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 DEFINITIONSDEFINITIONS. 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 1997-1 Certificates and to no other Series of Certificates issued by the Trust.

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

"ADJUSTED EURODOLLAR RATE" for any Fixed Period shall mean the rate (rounded upwards if necessary to the nearest whole multiple of 1/16th of one percent per annum) of interest per annum (the "LIBO RATE") for deposits in United States dollars offered by the principal office of Credit Suisse in London, England to prime banks in the London interbank market in an amount of not less than $1,000,000 for a period equal to such Fixed Period, PLUS the remainder obtained by subtracting (i) the LIBO Rate for such Fixed Period from (ii) the rate obtained by dividing such LIBO Rate by the percentage equal to 100% MINUS the "Eurodollar Reserve Percentage" (as defined in the succeeding sentence) for such Fixed Period. The "EURODOLLAR RESERVE PERCENTAGE" for a Class A Purchaser for any Fixed Period shall mean the reserve percentage applicable during such Fixed Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Fixed Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any marginal emergency, supplemental or any reserve requirement) for such Class A Purchaser in respect of liabilities or assets consisting of or including Eurocurrency Liabilities (as that term is used in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time) having a term equal to such Fixed Period.

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

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

"AGENT BASE RATE" shall mean, for any day, the higher of (i) the base commercial lending rate per annum announced from time to time by the Agent in New York in effect on such day, or (ii) the interest rate per annum quoted by the Agent at approximately 11:00 a.m., New York City time, on such day, to dealers in the New York Federal funds market for the overnight offering of Dollars by the Agent plus one-half of one percent (0.50%). (The Agent Base Rate is not intended to represent the lowest rate charged by the Agent for extensions of credit.)

"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 Class A Purchaser, 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 Class A Purchaser 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 Class A Purchaser (or, in the case of a Structured Purchaser, for any 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 Class A Purchaser 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 Class A Purchaser 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.

"BUSINESS DAY" means any day on which (i) banks are not authorized or required to close in New York City and (ii) if such term is used in connection with the Adjusted Eurodollar Rate, dealings 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 1997-1 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 Class A 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 Class A 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 January 23, 1997.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMMERCIAL PAPER RATE" for any Fixed Period for any portion of the Class A Investor Principal Balance shall mean, to the extent a Structured Purchaser funds such portion for such Fixed Period by issuing commercial paper, the sum of (i) the rate (or if more than one rate, the weighted average of the rates) at which commercial paper notes of such Structured Purchaser having a term equal to such Fixed Period and to be issued to fund such portion may be sold by any placement agent or commercial paper dealer selected by or on behalf of such Structured Purchaser, as agreed between each such agent or dealer and such Structured Purchaser; PROVIDED that if the rate (or rates) as agreed between any such agent or dealer and such Structured Purchaser for any Fixed Period is a discount rate (or rates), then such rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum, plus (ii) 0.05% in respect of dealer fees and commissions (to the extent not included in the rate or rates described in clause (i)).

"COMMITTED CLASS A PURCHASER" shall mean any Class A Purchaser which has a Commitment, as set forth in its respective Joinder Supplement and 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 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 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.

"CREDIT SUISSE" shall mean Credit Suisse First Boston, a Swiss banking corporation acting through its New York Branch.

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

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

"ELIGIBLE ASSIGNEE" shall mean Credit Suisse and each other Person listed in a letter from the Agent to the Transferor dated the Closing Date, as such list may be augmented from time to time with the consent of the Agent and the Transferor.

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

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

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

Purchaser:

(a) initially the period commencing on the date of purchase of such portion of the Class A Investor Principal Balance and ending such number of days as the Transferor shall select and, in the case of a Structured Purchaser, the Agent, acting at the direction of such Structured Purchaser, shall approve pursuant to Section 2.1 up to 69 days from such date; PROVIDED that the initial Fixed Period for any portions of the Class A Investor Principal Balance purchased by a Committed Class A Purchaser shall be one day; and

(b) thereafter each period commencing on the last day of the immediately preceding Fixed Period for such portion of the Class A Investor Principal Balance and ending such number of days (not to exceed 69 days) as the Transferor shall select and, in the case of a Structured Purchaser, the Agent, acting at the direction of such Structured Purchaser, shall approve on notice by the Transferor received by the Agent (including notice by telephone, confirming in writing) not later than 4:00 p.m. (New York City time) on such last day, EXCEPT that if the Agent shall not have received such notice or approved such period on or before 4:00 p.m. (New York City time) on such last day, such period shall be one day;

PROVIDED that

(i) any Fixed Period in respect of which Yield is computed by reference to the Alternate Rate shall be a period from one to and including 29 days, or a period of one month, as the Transferor may select as provided above; PROVIDED that in the case of a Fixed Period of one month in respect of which the Alternate Rate is computed by reference to the Adjusted Eurodollar Rate, each affected Class A Purchaser shall have received at least two Business Days' prior notice of such selection;

(ii) any Fixed Period (other than one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day (PROVIDED, HOWEVER, if Yield in respect of such Fixed Period is computed by reference to the Adjusted Eurodollar Rate, and such Fixed Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Fixed Period shall end on the next preceding Business Day);

(iii) in the case of any Fixed Period of one day, (A) if such Fixed Period is the initial Fixed Period for a portion of the Class A Investor Principal Balance such Fixed Period shall be the day of purchase of such portion; (B) any subsequently occurring Fixed

Period which is one day shall, if the immediately preceding Fixed Period is more than one day, be the last day of such immediately preceding Fixed Period, and, if the immediately preceding Fixed Period is one day, be the day next following such immediately preceding Fixed Period; and (C) if such Fixed Period occurs on a day immediately preceding a day which is not a Business Day, such Fixed Period shall be extended to the next succeeding Business Day; and

(iv) in the case of any Fixed Period for any portion of the Class A 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 and the duration of each Fixed Period which commences on or after the Termination Date shall be of such duration as shall be 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 initially, the office of any Class A Purchaser (if any) designated as such, in the case of any 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.

"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.

"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 a 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 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.

"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 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 1997-1 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 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 1997-1 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 any 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 any bank or other financial 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 The Chase Manhattan Bank, a banking corporation organized and existing under the laws of the State of New York, 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 any Business Day the aggregate of the following amounts:

(i) for each portion of the Class A Investor Principal Balance owed to a Structured Purchaser to the extent that such Structured Purchaser has funded such portion through the issuance of commercial paper notes on the immediately preceding Business Day,

$$\frac{PB \times CPR \times ED + LF}{360}$$

and

(ii) for each remaining portion of the Class A Investor Principal Balance,

$$\frac{PB \times AR \times ED + LF}{TD}$$

where:

PB = the relevant portion of the Class A Investor Principal Balance

CPR = the Commercial Paper Rate then applicable to the relevant portion of the Class A Investor Principal Balance

AR = the Alternate Rate then applicable to the relevant portion of the Class A Investor Principal Balance

ED = the number of days elapsed since the immediately preceding Business Day

TD = 360 if AR is the Adjusted Eurodollar Rate, or 365 or 366, as applicable, if AR is the Agent Base Rate

LF = the Liquidation Fee, if any, for such Business Day.

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 1:00 p.m. New York City 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 1:00 p.m. New York City 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 Noncommited 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 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) 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 9:30 a.m. New York City 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 4:00 p.m. New York City time on the Business Day immediately preceding such Purchase Date. Each such notice shall be irrevocable and shall specify (i) the aggregate VFC Additional Class A Invested Amount to be purchased, (ii) the applicable Purchase Date (which shall be a Business Day), and (iii) the desired duration of the initial Fixed Period 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 10:45 a.m., New York City time, on 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 11:00 a.m., New York City 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 (i) the portion of the VFC Additional Class A Invested Amount to be purchased by each Committed Class A Purchaser, (ii) the applicable Purchase Date (which shall be a Business Day), and (iii) the duration of the initial Fixed Period for the Class A Investor Principal Balance of each Committed Class A Purchaser.

(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 1:00 p.m., New York City time, on the applicable Purchase Date and the Servicer shall have notified the Agent of such failure by not later than 1:30 p.m., New York City time, on such Purchase Date, the Agent shall so notify each of the other Committed Class A Purchasers (the "NONDEFAULTING PURCHASERS") not later than 2:30 p.m., New York City 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 5:00 p.m. New York City 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 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 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 FDSNB, 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 FDSNB, 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 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 FDSNB 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 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 2:30 p.m., New York City 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, FDSNB, 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.

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 (imposed in lieu of income taxes), or any other taxes based on or measured by the net income of the Class A Purchaser or the gross receipts or income of the Class A Purchaser; (ii) any Taxes that would not have been imposed but for the failure of such Class A Purchaser or the Agent, as applicable, to provide and keep current (to the extent legally able) any certification or other documentation required to qualify for an exemption from, or reduced rate of, any such Taxes or required by this Agreement to be furnished by such Class A Purchaser or the Agent, as applicable; (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 after submission by any Class A Purchaser to the Agent (in the case of an amount payable to a Class A Purchaser) and by the Agent to the Transferor and the Servicer of a written request therefor, the amounts so payable to such Class A Purchaser or the Agent, as applicable, shall be increased and the Transferor shall be liable to pay to the Agent for the account of such Class A Purchaser or for its own account, as applicable, the amount of such increase) to the extent necessary to yield to such Class A Purchaser or the Agent, as applicable (after payment of all such Taxes) interest or any such other amounts payable hereunder or thereunder at the rates or in the amounts

specified in this Agreement and the Pooling and Servicing Agreement; PROVIDED, HOWEVER, that the amounts so payable to such Class A Purchaser or the Agent shall not be increased pursuant to this subsection 2.5(a) if such requirement to withhold results from the failure of such Person to comply with subsection 2.5(c) hereof. 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. 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 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 1997-1 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 Servicer and the Trustee (i) if such Class A Purchaser or Participant is not incorporated under the laws of the United States or any State thereof, two duly completed copies of the U.S. Internal Revenue Service Form 4224 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 and (ii) a U.S. Internal Revenue Service Form W-8 or W-9 or successor applicable or required forms. Each Class A Purchaser or Participant holding an interest in Class A Certificates also agrees to deliver to the Servicer and the Trustee two further copies of said Form 4224 and Form W-8 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 Servicer and the Trustee, and such extensions or renewals thereof as may reasonably be requested by 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 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 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 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 1997-1 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 Affili-

ate 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 1997-1 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 1997-1 Certificates or the Supplement;

(ii) any amendment to or waiver of, or consent to or departure from, this Agreement, the Series 1997-1 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 FDSNB, 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 1997-1 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 shall be caused by a charge off of Receivables. 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 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 (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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 FDSNB 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 and 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 FDSNB, certified by an authorized officer of each such entity, (ii) good standing certificates from the appropriate Governmental Authority as of a recent date with respect to each of Prime II Receivables Corporation and FDSNB and (iii) resolutions of the Board of Director (or an authorized committee thereof) of each of Prime II Receivables Corporation and FDSNB 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 FDSNB 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 FDSNB, 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) an agreed procedures letter from the independent certified public accountants of FDSNB and a certificate of an authorized officer of FDSNB with respect to the accuracy of data previously furnished to the Agent with respect to the Receivables in the Trust, in each case in form and scope satisfactory to the Agent;

(f) an executed copy of the Pooling and Servicing Agreement, 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; and

(j) 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; and

(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 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

(e) the representations and warranties of the Transferor contained in Section 4.1 and of FDSNB 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 FDSNB 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 FDSNB 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 and is in good standing 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 1997-1 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. 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, 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 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 1997-1 Certificates and there is no such litigation or pro-

ceeding 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 January 22, 1997, of $122,771,932.29. 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 1997-1 Certificates set forth in the Pooling and Servicing Agreement have been satisfied and the Series 1997-1 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 1997-1 Certificates in a manner that would require the registration under the Act of the offering of the Series 1997-1 Certificates or (ii) engaged in any form of general solicitation or general advertising in connection with the offering of the Series 1997-1 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 1997-1 Certificates are transactions which are exempt from the registration requirements of the Act.

(l) All written factual information heretofore furnished by the Transferor to, or for delivery to, the Agent for purposes of or in connection with this Agreement, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSNB'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 FDSNB. FDSNB 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. FDSNB further represents and warrants to, and agrees with, the Agent and each Class A Purchaser that, as of the date hereof:

(a) FDSNB has been duly organized and is validly existing and in good standing as a national banking association 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 FDSNB is

duly qualified to do business (or is exempt from such qualification) and is in good standing in each State of the United States where the nature of its business requires it to be so qualified. FDSNB is an insured depository institution under Section 4(a) of the Federal Deposit Insurance Act.

(b) FDSNB 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. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of FDSNB 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) FDSNB is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or registration with, 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 FDSNB do not violate or conflict with any provision of any existing law or regulation applicable to FDSNB or any order or decree of any court to which FDSNB is subject or the Articles of Association or Bylaws of FDSNB, or any mortgage, security agreement, indenture, contract or other agreement to which FDSNB is a party or by which FDSNB or any significant portion of FDSNB'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 FDSNB, threatened, with respect to the Related Documents, the transactions contemplated thereby, or the issuance of the Series 1997-1 Certificates, and there is no such litigation or proceeding against FDSNB 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 FDSNB, in its capacity as Servicer or otherwise, to perform its obligations thereunder.

(f) FDSNB is not insolvent or the subject of any insolvency or liquidation proceeding. The financial statements of FDSNB delivered to the Agent are complete and correct in all material respects and fairly present the financial condition of FDSNB as of date of such statements and the results of operations of FDSNB 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 FDSNB delivered to the Agent, there has not been any material adverse change in the condition (financial or otherwise) of FDSNB.

(g) All written factual information heretofore furnished by FDSNB to, or for delivery to, the Agent for purposes of or in connection with this Agreement, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSNB'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 FDSNB'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 CLASS A PURCHASERS. Each of the Agent and the 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 Class A Purchaser has been duly authorized by such Class A Purchaser to do so.

(b) This Agreement constitutes the legal, valid and binding obligation of such 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 Class A Purchaser is required in connection with the execution, delivery or performance by such 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 FDSNBCOVENANTS OF THE TRANSFEROR AND FDSNB. Each of the Transferor and FDSNB (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 1997-1 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 1997-1 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 1997-1 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, FDSNB 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) FDSNB 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) the Transferor shall not exercise its right to accept optional reassignment of the Receivables or repurchase the Series 1997-1 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;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) 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 1997-1 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;

(p) the Transferor and FDSNB 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;

(q) 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;

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

(s) 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

(t) 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 FDSNB and the Transferor, issued in connection with this Agreement and the transactions contemplated hereby and relating to the issues of substantive consolidation.

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.

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.

(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.

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 A 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 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, validi-

ty, 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. 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 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 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 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 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 Credit Suisse 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. Credit Suisse 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. Credit Suisse 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 other entity organized in or under the laws of the United States or any political subdivision thereof which, if such entity is a tax-exempt entity, recognizes that payments with respect to the Class A Certificates may constitute unrelated business taxable income or (iii) a person not described in (i) or (ii) whose income from the Class A Certificates is and will be 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 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 Servicer and the Trustee, and to the Class A Owner making the Transfer a properly executed U.S. Internal Revenue Service Form 4224 (and to agree (to the extent legally able) to provide a new Form 4224 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.

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 Agent shall have consented thereto and 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.

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.

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 this subsection, 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).

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
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Telephone: (513) 573-2048
Telefax: (513) 573-2039

The Servicer: FDS National Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: Chief Financial Officer
Telephone: (513) 573-2265
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: The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001
Attention: Corporate Trustee Administration Department
Telephone: (212) 946-8608
Telefax: (212) 946-3240

The Agent or the Administrative Agent: Credit Suisse First Boston, New York Branch
Eleven Madison Avenue
New York, New York 10010
Attention: Asset Finance Department
Telephone: (212) 325-9077
Telefax: (212) 325-6677

Moody's: Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Attention: ABS Monitoring Department, 4th Floor
Telephone: (212) 553-3607
Telefax: (212) 553-4773

Standard & Poor's: Standard & Poor's Ratings Services
26 Broadway, 15th Floor
New York, New York 10004
Attention: Asset-Backed Surveillance Department
Telephone: (212) 208-1892
Telefax: (212) 412-0323

(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 2:30 p.m. New York City 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 #0260-0917-9) and telegraph name (CR SUISSE NY), to account number 930539-05, reference Prime Credit Card Master Trust II, Series 1997-1, with telephone notice (including federal wire number) to the Asset Finance Department of Credit Suisse (212-325-9077).

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.

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 FDSNB. 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. FDSNB 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 1997-1 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 1997-1 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 and 7.7 and subsections 9.12(a) and 9.12(b) 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.

(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. The foregoing shall not limit the Transferor's, the Servicer's or the Trustee's right to file any claim in or otherwise take any action with respect to any such bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding that was instituted by any Person other than the Transferor, the Servicer or the Trustee.

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.

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/ KAREN M. HOGUET

Name: Karen M. Hoguet
Title: Chairman of the Board

FDS NATIONAL BANK

By: /S/ SUSAN R. ROBINSON

Name: Susan R. Robinson
Title: Treasurer

CREDIT SUISSE FIRST BOSTON, NEW YORK BRANCH,
as Agent and as Administrative Agent

By: /S/ THOMAS MEIER

Name: Thomas Meier
Title: Associate

By: /S/ THOMAS A. CARROLL

Name: Thomas A. Carroll
Title: Associate

EXHIBIT A

FORM OF INVESTMENT LETTER

[Date]

Prime II Receivables Corporation
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President

Re Prime Credit Card Master Trust II Class A
Variable Funding Certificates, Series 1997-1

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 January 22, 1997 (as in effect, the "Certificate Purchase Agreement"), among the Transferor, FDS National Bank, as Servicer, the Class A Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 Credit Suisse First Boston, New York Branch, 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 January 22, 1997, among the Transferor, FDS National Bank, as Servicer, the Class A Purchasers parties thereto, the Agent and Credit Suisse First Boston, New York Branch, 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 Commited 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class A Purchasers party thereto and Credit Suisse First Boston, New York Branch, 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:

CREDIT SUISSE FIRST BOSTON, NEW YORK
BRANCH, as Agent

By:

Name:
Title:

By:

Name:
Title:

ACCEPTED BY:

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCH, as Administrative Agent

By:

Name:
Title:

By:

Name:
Title:

FDS NATIONAL 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class A Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 _____, 199_.

Very truly yours,

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCK, as Agent

By:

Name:
Title:

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 Credit Suisse First Boston, New York Branch, 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class A Purchasers parties thereto, the Agent and Credit Suisse First Boston, New York Branch, 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 _____ , 199_. Upon and after the Transfer Effective Date (until further modified in accordance with the Certificate Purchase Agreement), the Noncommitted Purchaser Percentage or Commited 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class A Purchasers party thereto and Credit Suisse First Boston, New York Branch, 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:

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCH, as Agent

By:

Name:
Title:

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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class A Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 _____, 199_.

Very truly yours,

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCK, as Agent

By:

Name:
Title:

By:

Name:
Title:

SCHEDULE IV TO
TRANSFER SUPPLEMENT

Form of
CONSENT OF TRANSFEROR

To: The Chase Manhattan Bank, as Trustee
Credit Suisse First Boston, New York Branch, 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 1997-1, in the amount of $_____, by _____ to _____, pursuant to the Class A Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II Receivables Corporation, FDS National Bank, as Servicer, the Class A Purchasers parties thereto and Credit Suisse First Boston, New York Branch, as Agent and as Administrative Agent.

Very truly yours,

PRIME II RECEIVABLES
CORPORATION

By:

Name:
Title:

FDS NATIONAL BANK,
as Servicer

By:

Name:
Title:

Dated: _____
cc: Purchasing Class A Purchaser

Exhibit 10.21

CLASS B CERTIFICATE PURCHASE AGREEMENT

Dated as of January 22, 1997

among

PRIME II RECEIVABLES CORPORATION,
as Transferor,

FDS NATIONAL BANK,
as Servicer,

THE CLASS B PURCHASERS PARTIES HERETO,

and

CREDIT SUISSE FIRST BOSTON, NEW YORK BRANCH,
as Agent and Administrative Agent

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CLASS B CERTIFICATE PURCHASE AGREEMENT, dated as of January 22, 1997, by and among PRIME II RECEIVABLES CORPORATION, a Delaware corporation ("PRIME II RECEIVABLES CORPORATION"), as Transferor (the "TRANSFEROR"), FDS NATIONAL BANK, a national banking association ("FDSNB"), as Servicer (the "SERVICER"), the CLASS B PURCHASERS from time to time parties hereto and CREDIT SUISSE FIRST BOSTON, a Swiss banking corporation acting through its New York Branch, as Agent for the Class B Purchasers (in such capacity, the "AGENT") and as Administrative Agent for the Class B Purchasers and the Class A Purchasers (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H:

WHEREAS, Prime II Receivables Corporation, as Transferor, FDSNB, 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 1997-1 Variable Funding Supplement thereto, dated as of January 22, 1997 (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 1997-1 (the "CLASS A CERTIFICATES") and its Class B Variable Funding Certificates, Series 1997-1 (the "CLASS B CERTIFICATES" and, together with the Class A Certificates, the "SERIES 1997-1 VARIABLE FUNDING CERTIFICATES") pursuant to the Pooling and Servicing Agreement;

WHEREAS, the Trust also proposes to issue its Class C Certificates, Series 1997-1 (the "CLASS C CERTIFICATES" and, together with the Series 1997-1 Variable Funding Certificates, the "SERIES 1997-1 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 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 1997-1 Certificates and to no other Series of Certificates issued by the Trust.

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

"ADJUSTED EURODOLLAR RATE" for any Fixed Period shall mean the rate (rounded upwards if necessary to the nearest whole multiple of 1/16th of one percent per annum) of interest per annum (the "LIBO RATE") for deposits in United States dollars offered by the principal office of Credit Suisse in London, England to prime banks in the London interbank market in an amount of not less than $1,000,000 for a period equal to such Fixed Period, plus the remainder obtained by subtracting (i) the LIBO Rate for such Fixed Period from (ii) the rate obtained by dividing such LIBO Rate by the percentage equal to 100% MINUS the "Eurodollar Reserve Percentage" (as defined in the succeeding sentence) for such Fixed Period. The "EURODOLLAR RESERVE PERCENTAGE" for a Class B Purchaser for any Fixed Period shall mean the reserve percentage applicable during such Fixed Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Fixed Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any marginal emergency, supplemental or any reserve requirement) for such Class B Purchaser in respect of liabilities or assets consisting of or including Eurocurrency Liabilities (as that term is used in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time) having a term equal to such Fixed Period.

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

"AGENT" shall mean Credit Suisse, in its capacity as Agent for the Class B Purchasers, or any successor agent hereunder.

"AGENT BASE RATE" shall mean, for any day, the higher of (i) the base commercial lending rate per annum announced from time to time by the Agent in New York in effect on such day, or (ii) the interest rate per annum quoted by the Agent at approximately 11:00 a.m., New York City time, on such day, to dealers in the New York Federal funds market for the overnight offering of Dollars by the Agent plus one-half of one percent (0.50%). (The Agent Base Rate is not intended to represent the lowest rate charged by the Agent for extensions of credit.)

"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 Class B Purchaser, 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 Class B Purchaser 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 Class B Purchaser (or, in the case of a Structured Purchaser, for any 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 Class B Purchaser 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 Class B Purchaser 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.

"BUSINESS DAY" means any day on which (i) banks are not authorized or required to close in New York City and (ii) if such term is used in connection with the Adjusted Eurodollar Rate, dealings are carried out in the London interbank market.

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

"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 1997-1 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 Class B 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 Class B 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 January 23, 1997.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMMERCIAL PAPER RATE" for any Fixed Period for any portion of the Class B Investor Principal Balance shall mean, to the extent a Structured Purchaser funds such portion for such Fixed Period by issuing commercial paper, the sum of (i) the rate (or if more than one rate, the weighted average of the rates) at which commercial paper notes of such Structured Purchaser having a term equal to such Fixed Period and to be issued to fund such portion may be sold by any placement agent or commercial paper dealer selected by or on behalf of such Structured Purchaser, as agreed between each such agent or dealer and such Structured Purchaser; PROVIDED that if the rate (or rates) as agreed between any such agent or dealer and such Structured Purchaser for any Fixed Period is a discount rate (or rates), then such rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum, plus (ii) 0.05% in respect of dealer fees and commissions (to the extent not included in the rate or rates described in clause (i)).

"COMMITTED CLASS B PURCHASER" shall mean any Class B Purchaser which has a Commitment, as set forth in its respective Joinder Supplement and 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 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 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.

"CREDIT SUISSE" shall mean Credit Suisse First Boston, a Swiss banking corporation acting through its New York Branch.

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

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

"ELIGIBLE ASSIGNEE" shall mean Credit Suisse and each other

Person listed in a letter from the Agent to the Transferor dated the Closing Date, as such list may be augmented from time to time with the consent of the Agent and the Transferor.

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

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

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

(a) initially the period commencing on the date of purchase of such portion of the Class B Investor Principal Balance and ending such number of days as the Transferor shall select and, in the case of a Structured Purchaser, the Agent, acting at the direction of such Structured Purchaser, shall approve pursuant to Section 2.1 up to 69 days from such date; provided that the initial Fixed Period for any portions of the Class B Investor Principal Balance purchased by a Committed Class B Purchaser shall be one day; and

(b) thereafter each period commencing on the last day of the immediately preceding Fixed Period for such portion of the Class B Investor Principal Balance and ending such number of days (not to exceed 69 days) as the Transferor shall select and, in the case of a Structured Purchaser, the Agent, acting at the direction of such Structured Purchaser, shall approve on notice by the Transferor received by the Agent (including notice by telephone, confirming in writing) not later than 4:00 p.m. (New York City time) on such last day, EXCEPT that if the Agent shall not have received such notice or approved such period on or before 4:00 p.m. (New York City time) on such last day, such period shall be one day;

PROVIDED that

(i) any Fixed Period in respect of which Yield is computed by reference to the Alternate Rate shall be a period from one to and including 29 days, or a period of one month, as the Transferor may select as provided above; PROVIDED that in the case of a Fixed Period of one month in respect of which the Alternate Rate is computed by reference to the Adjusted Eurodollar Rate, each affected Class B Purchaser shall have received at least two Business Days' prior notice of such selection;

(ii) any Fixed Period (other than one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day (PROVIDED, HOWEVER, if Yield in respect of such Fixed Period is computed by reference to the Adjusted Eurodollar Rate, and such Fixed Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Fixed Period shall end on the next preceding Business Day);

(iii) in the case of any Fixed Period of one day, (A) if such Fixed Period is the initial Fixed Period for a portion of the Class B Investor Principal Balance such Fixed Period shall be the day of purchase of such portion; (B) any subsequently occurring Fixed

Period which is one day shall, if the immediately preceding Fixed Period is more than one day, be the last day of such immediately preceding Fixed Period, and, if the immediately preceding Fixed Period is one day, be the day next following such immediately preceding Fixed Period; and (C) if such Fixed Period occurs on a day immediately preceding a day which is not a Business Day, such Fixed Period shall be extended to the next succeeding Business Day; and

(iv) in the case of any Fixed Period for any portion of the Class B 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 and the duration of each Fixed Period which commences on or after the Termination Date shall be of such duration as shall be 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 initially, the office of any Class B Purchaser (if any) designated as such, in the case of any 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.

"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.

"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 a 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 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.

"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 the date of the execution and delivery of the Joinder Supplement or theTransfer Supplement by which it became a 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 1997-1 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 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 1997-1 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 any 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 any bank or other financial 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 The Chase Manhattan Bank, a banking corporation organized and existing under the laws of the State of New York, 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 any Business Day the aggregate of the following amounts:

(i) for each portion of the Class B Investor Principal Balance owed to a Structured Purchaser to the extent that such Structured Purchaser has funded such portion through the issuance of commercial paper notes on the immediately preceding Business Day,

$$\frac{PB \times CPR \times ED + LF}{360}$$

and

(ii) for each remaining portion of the Class B Investor Principal Balance,

$$\frac{PB \times AR \times ED + LF}{TD}$$

where:

PB = the relevant portion of the Class B Investor Principal Balance

CPR = the Commercial Paper Rate then applicable to the relevant portion of the Class B Investor Principal Balance

AR = the Alternate Rate then applicable to the relevant portion of the Class B Investor Principal Balance

ED = the number of days elapsed since the immediately preceding Business Day

TD = 360 if AR is the Adjusted Eurodollar Rate, or 365 or 366, as applicable, if AR is the Agent Base Rate

LF = the Liquidation Fee, if any, for such Business Day

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 1:00 p.m. New York City 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 1:00 p.m. New York City 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 Noncommited 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 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) 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 9:30 a.m. New York City 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 4:00 p.m. New York City time on the Business Day immediately preceding such Purchase Date. Each such notice shall be irrevocable and shall specify (i) the aggregate VFC Additional Class B Invested Amount to be purchased, (ii) the applicable Purchase Date (which shall be a Business Day), and (iii) the desired duration of the initial Fixed Period 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 10:45 a.m., New York City time, on 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 11:00 a.m., New York City 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 (i) the portion of the VFC Additional Class B Invested Amount to be purchased by each Committed Class B Purchaser, (ii) the applicable Purchase Date (which shall be a Business Day), and (iii) the duration of the initial Fixed Period for the Class B Investor Principal Balance of each Committed Class B Purchaser.

(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 1:00 p.m., New York City time, on the applicable Purchase Date and the Servicer shall have notified the Agent of such failure by not later than 1:30 p.m., New York City time, on such Purchase Date, the Agent shall so notify each of the other Committed Class B Purchasers (the "NONDEFAULTING PURCHASERS") not later than 2:30 p.m., New York City 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 5:00 p.m. New York City time, on such Purchase Date for deposit into 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 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 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 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 FDSNB, 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 FDSNB, 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 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 FDSNB 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 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 2:30 p.m., New York City 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, FDSNB, 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.

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 (imposed in lieu of income taxes), or any other taxes based on or measured by the net income of the Class B Purchaser or the gross receipts or income of the Class B Purchaser; (ii) any Taxes that would not have been imposed but for the failure of such Class B Purchaser or the Agent, as applicable, to provide and keep current (to the extent legally able) any certification or other documentation required to qualify for an exemption from, or reduced rate of, any such Taxes or required by this Agreement to be furnished by such Class B Purchaser or the Agent, as applicable; (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 after submission by any Class B Purchaser to the Agent (in the case of an amount payable to a Class B Purchaser) and by the Agent to the Transferor and the Servicer of a written request therefor, the amounts so payable to such Class B Purchaser or the Agent, as applicable, shall be increased and the Transferor shall be liable to pay to the Agent for the account of such Class B Purchaser or for its own account, as applicable, the amount of such increase) to the extent necessary to yield to such Class B Purchaser or the Agent, as applicable (after payment of all such Taxes) interest or any such other amounts payable hereunder or thereunder at the rates or in the amounts

specified in this Agreement and the Pooling and Servicing Agreement; PROVIDED, HOWEVER, that the amounts so payable to such Class B Purchaser or the Agent shall not be increased pursuant to this subsection 2.5(a) if such requirement to withhold results from the failure of such Person to comply with subsection 2.5(c) hereof. 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. 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 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 1997-1 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 Servicer and the Trustee (i) if such Class B Purchaser or Participant is not incorporated under the laws of the United States or any State thereof, two duly completed copies of the U.S. Internal Revenue Service Form 4224 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 and (ii) a U.S. Internal Revenue Service Form W-8 or W-9 or successor applicable or required forms. Each Class B Purchaser or Participant holding an interest in Class B Certificates also agrees to deliver to the Servicer and the Trustee two further copies of said Form 4224 and Form W-8 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 Servicer and the Trustee, and such extensions or renewals thereof as may reasonably be requested by 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 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 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 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 1997-1 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 Affili-

ate 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 1997-1 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 1997-1 Certificates or the Supplement;

(ii) any amendment to or waiver of, or consent to or departure from, this Agreement, the Series 1997-1 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 FDSNB, 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 1997-1 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 shall be caused by a charge off of Receivables. 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 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 (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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 FDSNB 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 and 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 FDSNB, certified by an authorized officer of each such entity, (ii) good standing certificates from the appropriate Governmental Authority as of a recent date with respect to each of Prime II Receivables Corporation and FDSNB and (iii) resolutions of the Board of Director (or an authorized committee thereof) of each of Prime II Receivables Corporation and FDSNB 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 FDSNB 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 FDSNB, 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) an agreed procedures letter from the independent certified public accountants of FDSNB and a certificate of an authorized officer of FDSNB with respect to the accuracy of data previously furnished to the Agent with respect to the Receivables in the Trust, in each case in form and scope satisfactory to the Agent;

(f) an executed copy of the Pooling and Servicing Agreement, 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; and

(j) 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; and

(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 PURCHASE. 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 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

(e) the representations and warranties of the Transferor contained in Section 4.1 and of FDSNB 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 FDSNB 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 FDSNB 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 and is in good standing 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 1997-1 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. 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, 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 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 1997-1 Certificates and there is no such litigation or pro-

ceeding 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 January 22, 1997, of $122,771,932.29. 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 1997-1 Certificates set forth in the Pooling and Servicing Agreement have been satisfied and the Series 1997-1 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 1997-1 Certificates in a manner that would require the registration under the Act of the offering of the Series 1997-1 Certificates or (ii) engaged in any form of general solicitation or general advertising in connection with the offering of the Series 1997-1 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 1997-1 Certificates are transactions which are exempt from the registration requirements of the Act.

(l) All written factual information heretofore furnished by the Transferor to, or for delivery to, the Agent for purposes of or in connection with this Agreement, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSNB'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 FDSNB. FDSNB 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. FDSNB further represents and warrants to, and agrees with, the Agent and each Class B Purchaser that, as of the date hereof:

(a) FDSNB has been duly organized and is validly existing and in good standing as a national banking association 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 FDSNB is duly qualified to do business (or is exempt from such qualification) and is in good standing in each State of the United States where the nature of its business requires it to be so qualified. FDSNB is an insured depository institution under Section 4(a) of the Federal Deposit Insurance Act.

(b) FDSNB 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. Each of the Related Documents to which it is party constitutes the legal, valid and binding agreement of FDSNB 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) FDSNB is not required to obtain the consent of any other party or any consent, license, approval or authorization of, or registration with, 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 FDSNB do not violate or conflict with any provision of any existing law or regulation applicable to FDSNB or any order or decree of any court to which FDSNB is subject or the Articles of Association or Bylaws of FDSNB, or any mortgage, security agreement, indenture, contract or other agreement to which FDSNB is a party or by which FDSNB or any significant portion of FDSNB'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 FDSNB, threatened, with respect to the Related Documents, the transactions contemplated thereby, or the issuance of the Series 1997-1 Certificates, and there is no such litigation or proceeding against FDSNB 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 FDSNB, in its capacity as Servicer or otherwise, to perform its obligations thereunder.

(f) FDSNB is not insolvent or the subject of any insolvency or liquidation proceeding. The financial statements of FDSNB delivered to the Agent are complete and correct in all material respects and fairly present the financial condition of FDSNB as of date of such statements and the results of operations of FDSNB 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 FDSNB delivered to the Agent, there has not been any material adverse change in the condition (financial or otherwise) of FDSNB.

(g) All written factual information heretofore furnished by FDSNB to, or for delivery to, the Agent for purposes of or in connection with this Agreement, including, without limitation, information relating to the Accounts and Receivables and the Transferor's and FDSNB'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 FDSNB'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 CLASS B PURCHASERS. Each of the Agent and the 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 Class B Purchaser has been duly authorized by such Class B Purchaser to do so.

(b) This Agreement constitutes the legal, valid and binding obligation of such 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 Class B Purchaser is required in connection with the execution, delivery or performance by such 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 FDSNB. Each of the Transferor and FDSNB (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 1997-1 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 1997-1 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 1997-1 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, FDSNB 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) FDSNB 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) the Transferor shall not exercise its right to accept optional reassignment of the Receivables or repurchase the Series 1997-1 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;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) 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 1997-1 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;

(p) the Transferor and FDSNB 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;

(q) 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;

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

(s) 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

(t) 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 FDSNB and the Transferor, issued in connection with this Agreement and the transactions contemplated hereby and relating to the issues of substantive consolidation.

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.

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.

(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.

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, validi-

ty, 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. 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 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 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 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 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 Credit Suisse 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. Credit Suisse 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. Credit Suisse 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 other entity organized in or under the laws of the United States or any political subdivision thereof which, if such entity is a tax-exempt entity, recognizes that payments with respect to the Class B Certificates may constitute unrelated business taxable income or (iii) a person not described in (i) or (ii) whose income from the Class B Certificates is and will be 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 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 Servicer and the Trustee, and to the Class B Owner making the Transfer a properly executed U.S. Internal Revenue Service Form 4224 (and to agree (to the extent legally able) to provide a new Form 4224 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 leat $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.

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 Agent shall have consented thereto and 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.

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.

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 this subsection, 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).

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
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Telephone: (513) 573-2048
Telefax: (513) 573-2039

The Servicer: FDS National Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: Chief Financial Officer
Telephone: (513) 573-2265
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: The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001
Attention: Corporate Trustee Administration Department
Telephone: (212) 946-8608
Telefax: (212) 946-3240

The Agent or the Administrative Agent: Credit Suisse First Boston, New York Branch
Eleven Madison Avenue
New York, New York 10010
Attention: Asset Finance Department
Telephone: (212) 325-9077
Telefax: (212) 325-6677

Moody's:. Moody's Investors Service, Inc.
99 Church Street
New York, New York 10007
Attention: ABS Monitoring Department, 4th Floor
Telephone: (212) 553-3607
Telefax: (212) 553-4773

Standard. & Poor's: Standard & Poor's Ratings Services
26 Broadway, 15th Floor
New York, New York 10004
Attention: Asset-Backed Surveillance Department
Telephone: (212) 208-1892
Telefax: (212) 412-0323

(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 2:30 p.m. New York City 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 #0260-0917-9) and telegraph name (CR SUISSE NY), to account number 930539-05, reference Prime Credit Card Master Trust II, Series 1997-1, with telephone notice (including federal wire number) to the Asset Finance Department of Credit Suisse (212-325-9077).

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.

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 FDSNB. 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. FDSNB 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 1997-1 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 1997-1 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 and 7.7 and subsections 9.12(a) and 9.12(b) 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.

(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. The foregoing shall not limit the Transferor's, the Servicer's or the Trustee's right to file any claim in or otherwise take any action with respect to any such bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding that was instituted by any Person other than the Transferor, the Servicer or the Trustee.

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.

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/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Chairman of the Board

FDS NATIONAL BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

CREDIT SUISSE FIRST BOSTON, NEW YORK

BRANCH,
as Agent and as Administrative Agent

By: /s/ Thomas Meier

Name: Thomas Meier
Title: Associate

By: /s/ Thomas A. Carroll

Name: Thomas A. Carroll
Title: Associate

EXHIBIT A

FORM OF INVESTMENT LETTER

[Date]

Prime II Receivables Corporation
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President

Re Prime Credit Card Master Trust II Class B
Variable Funding Certificates, Series 1997-1

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 January 22, 1997 (as in effect, the "Certificate Purchase Agreement"), among the Transferor, FDS National Bank, as Servicer, the Class B Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 Credit Suisse First Boston, New York Branch, 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 January 22, 1997, among the Transferor, FDS National Bank, as Servicer, the Class B Purchasers parties thereto, the Agent and Credit Suisse First Boston, New York Branch, 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 Commited 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class B Purchasers party thereto and Credit Suisse First Boston, New York Branch, 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:

CREDIT SUISSE FIRST BOSTON, NEW YORK
BRANCH, as Agent

By:

Name:
Title:

By:

Name:
Title:

ACCEPTED BY:

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCH, as Administrative Agent

By:

Name:
Title:

By:

Name:
Title:

FDS NATIONAL 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class B Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 _____, 199_.

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCK, as Agent

By:

Name:
Title:

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 Credit Suisse First Boston, New York Branch, 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class B Purchasers parties thereto, the Agent and Credit Suisse First Boston, New York Branch, 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 _____, 199_. Upon and after the Transfer Effective Date (until further modified in accordance with the Certificate Purchase Agreement), the Noncommitted Purchaser Percentage or Commited 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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class B Purchasers party thereto and Credit Suisse First Boston, New York Branch, 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:

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCH, as Agent

By:

Name:
Title:

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 January 22, 1997, among Prime II Receivables Corporation, as Transferor, FDS National Bank, as Servicer, the Class B Purchasers parties thereto and Credit Suisse First Boston, New York Branch, 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 _____, 199_.

CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCK, as Agent

By:

Name:
Title:

By:

Name:
Title:

SCHEDULE IV TO
TRANSFER SUPPLEMENT

Form of
Consent of Transferor

To: The Chase Manhattan Bank, as Trustee
Credit Suisse First Boston, New York Branch, 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 1997-1, in the amount of $_____, by _____ to _____, pursuant to the Class B Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II Receivables Corporation, FDS National Bank, as Servicer, the Class B Purchasers parties thereto and Credit Suisse First Boston, New York Branch, as Agent and as Administrative Agent.

Very truly yours,

PRIME II RECEIVABLES
CORPORATION

By:_____
Name:
Title:

FDS NATIONAL BANK,
as Servicer

By:_____
Name:
Title:

Dated: _____

cc: Purchasing Class B Purchaser

Exhibit 10.22

==========

PRIME II RECEIVABLES CORPORATION

Transferor

FDS NATIONAL BANK

Servicer

and

THE CHASE MANHATTAN BANK

Trustee

on behalf of the Certificateholders

of the Prime Credit Card Master Trust II

POOLING AND SERVICING AGREEMENT

Dated as of January 22, 1997

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POOLING AND SERVICING AGREEMENT, dated as of January 22, 1997 by and among PRIME II RECEIVABLES CORPORATION, a corporation organized and existing under the laws of the State of Delaware, as Transferor, FDS NATIONAL BANK, a national banking association, as Servicer, and THE CHASE MANHATTAN BANK, a banking corporation organized and existing under the laws of the state of New York, as Trustee.

In consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other parties and the Certificateholders:

ARTICLE I

DEFINITIONS

Section 1.1 DEFINITIONS. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"ACCOUNT INFORMATION" shall have the meaning specified in subsection 2.2(b).

"ACCOUNT" shall mean (a) each VISA(R) or MasterCard(R) credit card account established pursuant to a Charge Account Agreement between an Originator and any Person, the Receivables from which are designated for sale by an Originator to the Transferor pursuant to the Receivables Purchase Agreement, which is identified by (i) an account number, (ii) the amount of Receivables outstanding in such Account as of its Cut-Off Date and (iii) the amount of Principal Receivables in such Account as of its Cut-Off Date, in each case in the computer file or microfiche list delivered to the Trustee or the bailee of the Trustee by the Transferor pursuant to this Agreement, (b) each Automatic Additional Account, and (c) each Supplemental Account identified in each file or list delivered to the Trustee or the bailee of the Trustee by the Transferor pursuant to subsection 2.6(e) of this Agreement. The definition of Account shall include each Transferred Account but shall not include any Purged Accounts. The term "Account" shall be deemed to refer to a Supplemental Account only from and after the Addition Date with respect thereto, and the term "Account" shall be deemed to refer to any Removed Account only prior to the Removal Date with respect thereto.

"ADDITION CUT-OFF DATE" shall mean each date as of which Supplemental Accounts shall be selected to be included as Accounts pursuant to subsection 2.6(c) and (d).

"ADDITION DATE" shall mean each date as of which Receivables under Supplemental Accounts are designated for inclusion in the Trust as Accounts pursuant to subsection 2.6(c).

"ADJUSTED INVESTED AMOUNT" shall mean, with respect to any Series or any Class, when used with respect to any Business Day, the Invested Amount of such Series or Class, as applicable, MINUS any amounts then on deposit in any principal funding account for such Series or Class, as applicable.

"ADJUSTMENT PAYMENT" shall have the meaning specified in subsection 3.8(a).

"AFFILIATE" shall mean, with respect to a particular Person, (a) any Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person, or (b) any Person who is a director or officer or general partner (i) of such Person, (ii) of any subsidiary of such Person, or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power to elect the directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"AGGREGATE INVESTOR DEFAULT AMOUNT" shall have, with respect

to any Series of Certificates, the meaning stated in the related Supplement.

"AGGREGATE INVESTED AMOUNT" shall mean, as of any date of determination, the sum of the Invested Amounts of all Series of Certificates issued and outstanding on such date of determination.

"AGGREGATE INVESTOR PERCENTAGE" with respect to Principal Collections, Finance Charge Collections and Receivables in Defaulted Accounts, as the case may be,

shall mean, as of any date of determination, the sum of such Investor Percentages of all Series of Certificates issued and outstanding on such date of determination; PROVIDED, HOWEVER, that the Aggregate Investor Percentage shall not exceed 100%.

"AGGREGATE PRINCIPAL RECEIVABLES" shall mean, for any day in any Monthly Period, the aggregate amount of Principal Receivables at the end of such day.

"AGREEMENT" shall mean this Pooling and Servicing Agreement and all amendments hereof and supplements hereto, including any Supplement.

"AMORTIZATION PERIOD" shall mean, with respect to any Series, the period following the related Revolving Period, which shall be the Accumulation Period, the Early Amortization Period, or other amortization or accumulation period, in each case as defined with respect to such Series in the related Supplement.

"AMORTIZATION PERIOD COMMENCEMENT DATE" shall mean, with respect to any Series, the date on which the Amortization Period with respect thereto commences.

"APPLICABLE TAX STATE" shall mean, as of any date of determination, each state as to which any of the following is then applicable: (a) the state in which the Trustee maintains its principal corporate trust office, (b) the state in which the Transferor maintains its principal executive offices, and (c) a state in which the Servicer regularly conducts servicing and collection operations which are not limited to ministerial activities and which relate to a material portion of the Receivables.

"APPLICANTS" shall have the meaning specified in Section 6.7.

"APPOINTMENT DAY" shall have the meaning specified in subsection 9.2(a).

"ASSIGNMENT" shall have the meaning specified in subsection 2.6(e)(ii).

"AUTHENTICATING AGENT" shall have the meaning specified in subsection 6.8(a).

"AUTHORIZED NEWSPAPER" shall mean a newspaper of general circulation in the Borough of Manhattan, The City of New York printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays and holidays.

"AUTOMATIC ADDITIONAL ACCOUNT" shall mean those consumer revolving credit card accounts coming into existence after the applicable Cut-Off Date which meet the following criteria:

(a) a VISA or MasterCard credit card account (or any successor credit card account designations used by the Transferor):

(i) which is originated by an Originator during the normal operation of such Originator's credit card business and is not

acquired by the Transferor or such Originator from another credit card issuer;

(ii) which was in existence and owned by such Originator and the Receivables of which had been transferred to the Transferor pursuant to the Receivables Purchase Agreement on the date on which Receivables generated in such account are to be added to the Trust and is in existence at the close of business on the date of its designation for inclusion in the Trust;

(iii) which is payable in Dollars; and

(iv) the Receivables in which have not been charged off prior to the date of their designation for inclusion in the Trust; or

(b) any other consumer revolving credit card account, Receivables from which each Rating Agency permits to be added automatically to the Trust; PROVIDED, HOWEVER, that the Transferor shall have received notice from each Rating Agency that the inclusion of such accounts as Automatic Additional Accounts pursuant to this paragraph (b) will not result in the reduction or withdrawal of its then existing rating of any Class of Investor Certificates then issued and outstanding and shall have delivered such notice to the Trustee.

"BEARER CERTIFICATES" shall have the meaning specified in Section 6.1.

"BEARER RULES" shall mean the provisions of the Internal Revenue Code, in effect from time to time, governing the treatment of bearer obligations, including sections 163(f), 871, 881, 1441, 1442 and 4701, and any regulations thereunder including, to the extent applicable to any Series, proposed or temporary regulations of the Internal Revenue Service.

"BILLED FINANCE CHARGES" shall mean with respect to any Monthly Period the amount of finance charges, late fees and other fees and charges billed to Obligors on the Receivables.

"BOOK-ENTRY CERTIFICATES" shall mean certificates evidencing a beneficial interest in the Investor Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 6.10; PROVIDED, HOWEVER, that after the occurrence of a condition whereupon book-entry registration and transfer are no longer authorized and Definitive Certificates are to be issued to the Certificate Owners, such certificates shall no longer be "Book-Entry Certificates."

"BUSINESS DAY" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York (or, with respect to any Series, any additional city specified in the related Supplement) are authorized or obligated by law or executive order to be closed, and such other days in any year as may be designated by the Servicer in writing to the Trustee by the first day of December in the preceding year.

"CASH EQUIVALENTS" shall mean, unless otherwise provided in the Supplement with respect to any Series, (a) negotiable instruments or securities represented by instruments in bearer or registered form which evidence (i) obligations of or fully guaranteed by the United States of America; (ii) time deposits, promissory notes, or certificates of deposit of any depositary institution or trust company; PROVIDED, HOWEVER, that at the time of the Trust's investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits of such depositary institution or

trust company shall have a credit rating from Moody's and Standard & Poor's of P-1 and A-1+, respectively; (iii) commercial paper having, at the time of the Trust's investment or contractual commitment to invest therein, a rating from Moody's and Standard & Poor's of P-1 and A-1+, respectively; (iv)

bankers acceptances issued by any depositary institution or trust company described in clause (a)(ii) above; and (v) investments in money market funds rated AAA-m or AAA-mg by Standard & Poor's and P-1 by Moody's or otherwise approved in writing by each Rating Agency; (b) time deposits and demand deposits in the name of the Trust or the Trustee in any depositary institution or trust company referred to in clause (a) (ii) above; (c) securities not represented by an instrument that are registered in the name of the Trustee or its nominee upon books maintained for that purpose by or on behalf of the issuer thereof and identified on books maintained for that purpose by the Trustee as held for the benefit of the Trust or the Certificateholders, and consisting of (x) shares of an open end diversified investment company which is registered under the Investment Company Act which (i) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase or other Cash Equivalents, (ii) seeks to maintain a constant net asset value per share, (iii) has aggregate net assets of not less than $100,000,000 on the date of purchase of such shares and (iv) which each Rating Agency designates in writing will not result in a withdrawal or downgrading of its then current rating of any Series rated by it or (y) Eurodollar time deposits of a depository institution or trust company that have been rated P-1 by Moody's and A-1+ by Standard & Poor's; PROVIDED, HOWEVER, that at the time of the Trust's investment or contractual commitment to invest therein, the Eurodollar deposits of such depositary institution or trust company shall have a credit rating from Moody's and Standard & Poor's of P-1 and A-1+, respectively; (d) a guaranteed investment contract (guaranteed as to timely payment) which each Rating Agency designates in writing will not result in a withdrawal or downgrading of its then current rating of any Series rated by it; (e) repurchase agreements transacted with either (i) an entity subject to the United States federal bankruptcy code; PROVIDED, HOWEVER, that (A) the term of the repurchase agreement is consistent with the

requirements with regard to the maturity of Cash Equivalents specified herein or in the applicable Supplement for the applicable account or is due on demand, (B) the Trustee or a third party (with a rating from Moody's and Standard & Poor's of P-1 and A-1+, respectively) acting solely as agent for the Trustee has possession of the collateral, (C) the Trustee on behalf of the Trust has a perfected first priority security interest in the collateral, (D) the market value of the collateral is maintained at the requisite collateral percentage of the obligation in accordance with standards of the Rating Agencies, (E) the failure to maintain the requisite collateral level will obligate the Trustee to liquidate the collateral as promptly as practicable upon instructions from the Servicer, (F) the securities subject to the repurchase agreement are either obligations of, or fully guaranteed as to principal and interest by, the United States of America or any agency or any instrumentality or agency thereof, certificates of deposit or bankers acceptances and (G) the securities subject to the repurchase agreement are free and clear of any third party lien or claim, or (ii) a financial institution insured by the FDIC, or any broker-dealer with "retail-customers" that is under the jurisdiction of the Securities Investors Protection Corp. ("SIPC"); PROVIDED, HOWEVER, that (A) the market value of the collateral is maintained at the requisite collateral percentage of the obligation in accordance with the standards of the Rating Agencies, (B) the Trustee or a third party (with a rating from Moody's and Standard & Poor's of P-1 and A-1+, respectively) acting solely as agent for the Trustee has possession of the collateral, (C) the collateral is free and clear of third party liens and, in the case of an SIPC broker, was not acquired pursuant to a repurchase or reverse repurchase agreement and (D) the failure to maintain the requisite collateral percentage will obligate the Trustee to liquidate the collateral upon instructions from the Servicer; PROVIDED, HOWEVER, that at the time of the Trust's or the Trustee's investment or contractual commitment to invest in any repurchase agreement, the short-term deposits or commercial paper rating of such entity or institution in subsections (i) and (ii) above shall have a credit rating of P-1 or A-1+ or their equivalent from each Rating Agency; and (f) any other investment that converts to cash within a finite time period if each Rating Agency confirms in writing that such invest-

ment will not adversely affect its then current rating of the Investor Certificates.

"CEDEL" shall mean Cedel Bank, societe anonyme.

"CERTIFICATE" shall mean any one of the Investor Certificates of any Series or the Exchangeable Transferor Certificate.

"CERTIFICATEHOLDER" or "HOLDER" shall mean the Person in whose name a Certificate is registered in the Certificate Register and, if applicable, the holder of any Bearer Certificate or Coupon, as the case may be.

"CERTIFICATE INTEREST" shall mean interest payable in respect of the Investor Certificates of any Series pursuant to Article IV of this Agreement as supplemented by the Supplement for such Series.

"CERTIFICATE OWNER" shall mean, with respect to a Book-Entry Certificate, the Person who is the beneficial owner of such Book-Entry Certificate, as may be reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly or as an indirect participant, in accordance with the rules of such Clearing Agency).

"CERTIFICATE PRINCIPAL" shall mean principal payable in respect of the Investor Certificates of any Series pursuant to Article IV of this Agreement.

"CERTIFICATE RATE" shall mean, with respect to any Series of Certificates (or, for any Series with more than one Class, for each Class of such Series), the percentage (or formula on the basis of which such rate shall be determined) stated in the related Supplement.

"CERTIFICATE REGISTER" shall mean the register maintained pursuant to Section 6.3, providing for the registration of the Certificates and transfers and exchanges thereof.

"CHARGE ACCOUNT AGREEMENT" shall mean an agreement, which shall comply with the Federal Truth In Lending Act, for Visa or MasterCard credit card accounts between any Obligor and an Originator as such agreements

may be amended, modified or otherwise changed from time to time.

"CLASS" shall mean, with respect to any Series, any one of the classes of Certificates of that Series as specified in the related Supplement.

"CLEARING AGENCY" shall mean an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended.

"CLEARING AGENCY PARTICIPANT" shall mean a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency or Foreign Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency or Foreign Clearing Agency.

"CLOSING DATE" shall mean, with respect to any Series, the date of issuance of such Series of Certificates, as specified in the related Supplement.

"COLLECTION ACCOUNT" shall have the meaning specified in subsection 4.2(a).

"COLLECTIONS" shall mean all payments received by the Servicer in respect of the Receivables in the form of cash, checks or any other form of payment in accordance with the Charge Account Agreement in effect from time to time on any Receivables.

"CORPORATE TRUST OFFICE" shall mean the principal office of the Trustee at which at any particular time its corporate trust business shall

be administered, which office at the date of the execution of this Agreement is located at 450 West 33rd Street, New York, New York 10001, Attention: Structured Products Group.

"COUPON" shall have the meaning specified in Section 6.1.

"CREDIT AND COLLECTION POLICY" shall mean the credit, collection, customer relations and service policies that apply to Eligible Accounts, as such policies currently exist and as such policies may be amended, modified or supplemented from time to time subject to Section 5.01(c) of the Receivables Purchase Agreement.

"CUT-OFF DATE" shall mean, for Receivables in Accounts owned by each Originator, the date on which the last cycle of such Originator, was billed in the November 1996 fiscal month.

"DAILY REPORT" shall mean a report showing the date and setting forth the computations reflected in the form thereof attached as Exhibit C hereto.

"DATE OF DETERMINATION" shall mean with respect to the Yield Factor or the Finance Charge Receivable Factor, respectively, the date on which such factor is determined which shall in no event be later than the tenth Business Day from the end of the preceding Monthly Period.

"DATE OF PROCESSING" shall mean, with respect to any transaction, the date on which such transaction is first recorded on the Servicer's computer master file of consumer revolving credit card accounts (without regard to the effective date of such recordation).

"DEFAULT AMOUNT" shall mean, on any Business Day, the product of (i) the aggregate Outstanding Balances of Receivables in Accounts which became Defaulted Accounts on such Business Day MINUS the Ineligible Default Amount and (ii) one MINUS the Finance Charge Receivable Factor.

"DEFAULTED ACCOUNT" shall mean each Account with respect to which, in accordance with the Credit and Collection Policy or the Servicer's customary and usual servicing procedures, the Servicer has charged off the Receivables in such Account as uncollectible; an Account shall become a Defaulted Account on the day on which such Receivables are recorded as charged off as uncollectible on the Servicer's computer master file of consumer credit card revolving accounts. Notwithstanding any other provision hereof, any Receivables in a Defaulted Account that are Ineligible Receivables shall be treated as Ineligible Receivables rather than Receivables in Defaulted Accounts.

"DEFEASANCE ACCOUNT" shall have the meaning specified in the applicable Supplement.

"DEFINITIVE CERTIFICATE" shall have the meaning specified in Section 6.10.

"DELINQUENCY PERCENTAGE" shall mean with respect to any Business Day the percentage equivalent of an amount determined on the preceding Date of Determination (or on such Business Day with respect to each Date of Determination) equal to (x) the product of (i) 0.1 and (ii) the aggregate Outstanding Balance of all Receivables Retail Age 2 or greater (Receivables with respect to which the related Obligor has failed to make two or more required payments) divided by (y) the aggregate Outstanding Balance of all Receivables on such Date of Determination.

"DEPOSITARY" shall have the meaning specified in Section 6.10.

"DEPOSITARY AGREEMENT" shall mean, with respect to each Series, the agreement among the Transferor, the Trustee and the Clearing Agency, or as otherwise provided in the related Supplement.

"DETERMINATION DATE" shall mean the second Business Day prior to the earliest Distribution Date in each month for any Series then outstanding.

"DISTRIBUTION ACCOUNT" shall have the meaning specified in subsection 4.2(c).

"DISTRIBUTION DATE" shall mean, with respect to any Series, the date specified in the related Supplement.

"DOLLARS", "$" or "U.S. $" shall mean United States dollars.

"ELIGIBLE ACCOUNT" shall mean, as of the Initial Closing Date (or, with respect to Supplemental Accounts as of each Addition Date and with respect to Automatic Additional Accounts, as of the date the Receivables arising in such Accounts are designated for inclusion in the Trust), each Account owned by an originator:

(a) which is payable in Dollars;

(b) which has not been identified by such Originator in its computer files as an account as to

which such Originator or the Servicer has any confirmed record of any fraud-related activity by the Obligor;

(c) which has not been sold or pledged to any other party and which does not have Receivables which have been sold or pledged to any other party;

(d) which was created in accordance with the Credit and Collection Policy of such Originator at the time of creation of such account or the Receivables of which each Rating Agency permits to be added automatically to the Trust; and

(e) the Receivables in which such Originator has not charged off in its customary and usual manner for charging off Receivables in such Accounts as of the Initial Closing Date (or, with respect to Supplemental Accounts as of the Addition Date and with respect to Automatic Additional Accounts, as of the date the Receivables of such Accounts are designated for inclusion in the Trust) unless such Account is subsequently reinstated.

"ELIGIBLE RECEIVABLE" shall mean each Receivable that satisfies each of the following criteria:

(a) it arises under an Eligible Account;

(b) except as permitted herein, it is not sold or pledged to any other party;

(c) it constitutes an "account" or a "general intangible" as each is defined in Article 9 of the UCC as then in effect in each Relevant UCC State;

(d) it is the legal, valid and binding obligation of a Person who (i) is living, (ii) is not a minor under the laws of his/her state of residence and (iii) is competent to enter into a contract and incur debt;

(e) it and the underlying Charge Account Agreement do not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) that could reasonably be expected to have an adverse impact on the amount of Collections

thereunder, and the Originator under the underlying Charge Account Agreement is not in violation of any such laws, rules or regulations in any respect material to such Charge Account Agreement;

(f) all material consents, licenses, or authorizations of, or registrations with, any governmental authority required to be obtained or given in connection with the creation of such Receivable or the execution, delivery, creation and performance of the underlying Charge Account Agreement have been duly obtained or given and are in full force and effect as of the date of the creation of such Receivables;

(g) at the time of its transfer to the Trust, the Transferor or the Trust will have good and marketable title free and clear of all Liens and security interests arising under or through the Transferor (other than Permitted Liens);

(h) it is not, at the time of its transfer to the Trust, a Receivable in a Defaulted Account; and

(i) it arises under a Charge Account Agreement that has been duly authorized and which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever (except the discharge in bankruptcy of such Obligor).

"ENHANCEMENT" shall mean, with respect to any Series, any cash collateral account, reserve account, cash collateral guaranty, collateral invested amount, letter of credit, guaranteed rate agreement, maturity guaranty facility, tax protection agreement, interest rate cap, interest rate swap or any other contract or agreement for the benefit of the Certificateholders of such Series (or Certificateholders of a Class within such Series) as designated in the applicable Supplement.

"ENHANCEMENT PROVIDER" shall mean, with respect to any Series, the Person, if any, designated as such in the related Supplement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"EUROCLEAR OPERATOR" shall mean Morgan Guaranty Trust Company of New York, Brussels, Belgium office, as operator of the Euroclear System.

"EXCESS FUNDING ACCOUNT" shall have the meaning specified in subsection 4.2(d).

"EXCESS FUNDING ACCOUNT PERCENTAGE" shall mean, with respect to any Series on any Business Day, the percentage equivalent of a fraction, the numerator of which is equal to the Adjusted Invested Amount of such Series and the denominator of which is equal to the sum of the Adjusted Invested Amounts of all Series in Amortization Periods.

"EXCHANGE" shall mean either of the procedures described in Section 6.9(b).

"EXCHANGEABLE TRANSFEROR CERTIFICATE" shall mean the certificate executed by the Transferor and authenticated by the Trustee, substantially in the form of Exhibit A and exchangeable as provided in Section 6.9; PROVIDED, HOWEVER, that at any time there shall be only one Exchangeable Transferor Certificate.

"EXCHANGE DATE" shall have the meaning, with respect to any Series issued pursuant to an Exchange, specified in subsection 6.9(b).

"EXCHANGE NOTICE" shall have the meaning, with respect to any Series issued pursuant to an Exchange, specified in subsection 6.9(b).

"EXTENDED TRUST TERMINATION DATE" shall have the meaning specified in subsection 12.1(a).

"FASIT" shall mean a "financial asset securitization investment trust" as defined in Section 860L of the Code.

"FCHC" shall mean Federated Credit Holdings Corporation, or any successor thereto, as owner of all of the outstanding common stock of the Transferor.

"FDIC" shall mean the Federal Deposit Insurance Corporation, or any successor thereto.

"FDSNB" shall mean FDS National Bank, a national banking association, or any successor thereto.

"FEDERATED" shall mean Federated Department Stores, Inc., or any successor thereto.

"FINANCE CHARGE COLLECTIONS" shall mean with respect to any Business Day (a) the product of (i) Collections received with respect to the Receivables MINUS Recoveries and (ii) the Yield Factor PLUS (b) any investment earnings on amounts on deposit in the Excess Funding Account PLUS (c) Recoveries PLUS (d) Interchange PLUS (e) amounts paid by the Transferor with respect to Uncovered Dilution Amounts pursuant to Section 3.8 in accordance with the proviso to the last sentence of such Section; PROVIDED, HOWEVER, that pursuant to any Supplement such amount may be adjusted for purposes of allocations to the related series pursuant to such Supplement.

"FINANCE CHARGE RECEIVABLE FACTOR" shall mean with respect to any Date of Determination, the aggregate amount of finance charges, late fees and other fees and charges outstanding on the last day of the preceding Monthly Period DIVIDED by the aggregate Outstanding Balance of the Receivables on the last day of such preceding Monthly Period.

"FINANCE CHARGE RECEIVABLES" shall mean for any Business Day, the product of the Finance Charge Receivable Factor determined on the preceding Date of Determination (or on such Business Day with respect to each Date of Determination) and the aggregate Outstanding Balances of Eligible Receivables as of such Business Day, determined in accordance with subsection 2.4(c).

"FINANCE CHARGE DEFAULT AMOUNT" shall mean with respect to any Monthly Period the aggregate amount of Receivables arising from finance charges, late fees and other fees and charges billed to Obligors which the Servicer charged off as uncollectible on its computer master file of consumer credit card revolving accounts pursuant to the applicable Credit and Collection Policy.

"FOREIGN CLEARING AGENCY" shall mean Cedel and the Euroclear Operator.

"GLOBAL CERTIFICATE" shall have the meaning specified in Section 6.13.

"GROUP" shall mean, with respect to any Series, the group of Series in which the related Supplement specifies such Series is to be included.

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

"HOLDER" or "CERTIFICATEHOLDER" shall mean the Person in whose name a Certificate is registered in the Certificate Register, and if applicable, the holder of any Bearer Certificate or Coupon, as the case may be.

"INELIGIBLE DEFAULT AMOUNT" shall mean, as of any Business Day, the aggregate Outstanding Balance of Receivables in Accounts which are identified on the Servicer's computer records as not being Eligible Accounts and which are reported in the Servicer's computer records on such Business Day as becoming Defaulted Accounts.

"INELIGIBLE RECEIVABLE" shall have the meaning specified in subsection 2.4(c).

"INITIAL CLOSING DATE" shall mean January 23, 1997.

"INITIAL INVESTED AMOUNT" shall mean, with respect to any Series of Certificates, the amount stated in the related Supplement.

"INSOLVENCY EVENT" shall have the meaning specified in subsection 9.2(a).

"IN-STORE PAYMENTS" shall mean any payment made by an Obligor with respect to a Receivable by delivery of cash, check, money order or any other form of payment to a cashier or other employee of any Federated retail operating subsidiary.

"INTERCHANGE" shall mean interchange fees payable to an Originator in its capacity as credit card issuer through VISA U.S.A., Inc. or MasterCard International Incorporated and paid by such Originator to the Transferor pursuant to the Receivables Purchase Agreement.

"INTEREST FUNDING ACCOUNT" shall have the meaning specified in subsection 4.2(b).

"INTERNAL REVENUE CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"INVESTED AMOUNT" shall have, with respect to any Series of Certificates, the meaning stated in the related Supplement.

"INVESTMENT COMPANY ACT" shall mean the Investment Company Act of 1940, as amended from time to time.

"INVESTOR ACCOUNT" shall mean each of the Interest Funding Account, the Principal Account, the Excess Funding Account, the Distribution Account and any Series Account.

"INVESTOR CERTIFICATE" shall mean any one of the certificates (including, without limitation, the Bearer Certificates or the Registered Certificates) executed by the Transferor and authenticated by the Trustee substantially in the form (or forms in the case of a Series with multiple classes) of the investor certificate or variable funding certificate attached to the related Supplement.

"INVESTOR CERTIFICATEHOLDER" shall mean the Holder of an Investor Certificate.

"INVESTOR CHARGE-OFF" shall have, with respect to each Series, the meaning specified in the applicable Supplement.

"INVESTOR DEFAULT AMOUNT" shall have, with respect to any Series of Certificates, the meaning stated in the related Supplement.

"INVESTOR EXCHANGE" shall have the meaning specified in subsection 6.9(b).

"INVESTOR PERCENTAGE" shall mean, with respect to Principal Collections, Finance Charge Collections and Receivables in Defaulted Accounts, and with respect to any Series of Certificates, the percentages specified in the applicable Supplement.

"LATE FEES" shall have, with respect to any Account, the meaning specified in the Charge Account Agreement applicable to such Account for late fees or similar charges.

"LIEN" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, participation or equity interest, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement under the UCC (other than any such financing statement filed for informational purposes only) or comparable law of any jurisdiction to evidence any of the foregoing; PROVIDED, HOWEVER, that any assignment pursuant to Section 7.2 shall not be deemed to constitute a Lien.

"LOCK-BOX ACCOUNT" shall mean an account in the name of the Trustee with a Lock-Box Bank.

"LOCK-BOX AGREEMENT" shall mean each agreement between the Servicer, the Trustee and the respective Lock-Box Bank, pursuant to which such Lock-Box Bank receives Collections from time to time as provided therein.

"LOCK-BOX BANK" shall mean any bank that holds one or more Lock-Box Accounts for receiving Collections, pursuant to a Lock-Box Agreement.

"MINIMUM AGGREGATE PRINCIPAL RECEIVABLES" shall mean, as of any date of determination, the sum of the numerators used in the calculation of the Investor Percentages for Principal Collections for all outstanding Series on such date of determination, less the amount on deposit in the Excess Funding Account as of such date of determination.

"MINIMUM TRANSFEROR AMOUNT" shall mean, as of any date of determination, the product of (i) the sum of (a) the aggregate Principal Receivables and (b) the amounts on deposit in the Excess Funding Account and (ii) the Minimum Transferor Percentage.

"MINIMUM TRANSFEROR PERCENTAGE" shall mean 2%.

"MONTHLY INVESTOR SERVICING FEE" shall mean the Servicing Fee payable to the Servicer with respect to a Monthly Period.

"MONTHLY PERIOD" shall mean, unless otherwise defined with respect to a Series in the related Supplement, the period from and including the first day of each fiscal month of the Transferor to and including the last day of such fiscal month.

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

"NOTICE DATE" shall have the meaning specified in subsection 2.6(e)(i).

"OBLIGOR" shall mean a Person obligated to make payments with respect to a Receivable arising under an Account pursuant to a Charge Account Agreement.

"OFFICER'S CERTIFICATE" shall mean a certificate signed by any Vice President, Treasurer or more senior officer of the Transferor or Servicer and delivered to the Trustee.

"OPINION OF COUNSEL" shall mean a written opinion of counsel, who may be counsel for or an employee of the Person providing the opinion, and who shall be reasonably acceptable to the Trustee.

"ORIGINATOR" shall mean FDSNB and its successors or assigns under the Receivables Purchase Agreement and any other originator of accounts which enters into the Receivables Purchase Agreement in accordance with the provisions of this Agreement.

"OUTSTANDING BALANCE" shall mean, with respect to a Receivable on any day, the aggregate amount owed by

the Obligor thereunder as of the close of business on the prior Business Day (net of returns and adjustments).

"PAIRED SERIES" shall mean each Series which has been paired with a prefunded Series, and such prefunded Series.

"PAYING AGENT" shall mean any paying agent appointed pursuant to Section 6.6 and shall initially be the Trustee.

"PAY OUT COMMENCEMENT DATE" shall mean, with respect to each Series, the date on which (a) a Trust Pay Out Event is deemed to occur pursuant to Section 9.1 or (b) a Series Pay Out Event is deemed to occur pursuant to the Supplement for such Series.

"PAY OUT EVENT" shall mean, with respect to each Series, a Trust Pay Out Event or a Series Pay Out Event.

"PERIODIC FINANCE CHARGES" shall have, with respect to any Account, the meaning specified in the Charge Account Agreement applicable to such Account for finance charges (due to periodic rate) or any similar term.

"PERMITTED LIEN" shall mean with respect to the Receivables: (i) Liens in favor of the Transferor created pursuant to the Receivables Purchase Agreement assigned to the Trustee pursuant to this Agreement; (ii) Liens in favor of the Trustee pursuant to this Agreement; and (iii) Liens which secure the payment of taxes, assessments and governmental charges or levies, if such taxes are either (a) not delinquent or (b) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves in accordance with generally accepted accounting principles shall have been established.

"PERSON" shall mean any legal person, including any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity or other entity of similar nature.

"POOL FACTOR" shall mean, as of any Record Date, a number carried out to seven decimals representing the ratio of the applicable Invested Amount as of such Record Date (determined after taking into account any reduction in the Invested Amount which will occur on the following Distribution Date) to the applicable Initial Invested Amount unless otherwise specified with respect to a Series in the related Supplement.

"PRINCIPAL ACCOUNT" shall have the meaning specified in subsection 4.2(b).

"PRINCIPAL COLLECTIONS" shall mean with respect to any Business Day the product of (i) Collections received with respect to each Receivable MINUS Recoveries and (ii) one MINUS the Yield Factor; PROVIDED, HOWEVER, that pursuant to any Supplement such amount may be adjusted for purposes of allocations to the related Series pursuant to such Supplement.

"PRINCIPAL RECEIVABLES" shall mean for any Business Day for the purposes of this Agreement, the aggregate Outstanding Balance of Eligible Receivables, determined in accordance with Subsection 2.4(c), as of such Business Day MINUS the amount of Finance Charge Receivables on such Business Day as shown on the Transferor's books and records.

"PRINCIPAL SHORTFALLS" shall mean, with respect to any Business Day and any outstanding Series, the amount which the related Supplement specifies as the "Principal Shortfall" for such Business Day.

"PRINCIPAL TERMS" shall have the meaning, with respect to any Series issued pursuant to an Exchange, specified in subsection 6.9(c).

"PROSPECTIVE PAY OUT EVENT" shall have the meaning specified in subsection 2.3(l).

"PUBLICATION DATE" shall have the meaning specified in subsection 9.2(a).

"PURGED ACCOUNT" shall mean an Account that has an Outstanding Balance of zero and has been terminated pursuant to the applicable Credit and Collection Policy due to an extended period of inactivity.

"QUALIFIED INSTITUTION" shall mean:

(i) the corporate trust department of a depositary institution or trust company (which may include the Trustee) organized under the laws of the United States of America or any one of the states thereof or the District of Columbia which has a long-term unsecured debt rating of at least Aa3 from Moody's and AA- from Standard & Poor's whose deposits are insured to the limits provided by law by the FDIC and which has corporate trust powers and acts as trustee for funds deposited therein; or

(ii) a depositary institution, which may include the Trustee, which is acceptable to the Rating Agency.

"RATING AGENCY" shall mean, with respect to each Series, the rating agency or agencies, if any, specified in the related Supplement.

"REASSIGNMENT" shall have the meaning specified in subsection 2.7(b)(i).

"REASSIGNMENT DATE" shall have the meaning specified in subsection 2.4(d).

"RECEIVABLE" shall mean any amount owing by any Obligor to an Originator under an Account, including, without limitation, amounts owing for the payment of goods and services, annual membership fees, Periodic Finance Charges, Late Fees, cash advances, access checks, cash advance fees and Special Fees, if any, including any credit insurance premiums.

"RECEIVABLES PURCHASE AGREEMENT" shall mean the receivables purchase agreement dated as of January 22, 1997 among the Originators, as sellers, and the Transferor, as purchaser, as amended or otherwise modified from time to time.

"RECORD DATE" shall mean, with respect to any Distribution Date, unless otherwise specified in the applicable Supplement, the Business Day preceding such Distribution Date, except that, with respect to any Definitive Certificates, Record Date shall mean the fifteenth day preceding the applicable Distribution Date.

"RECOVERIES" shall mean any amounts received by the Servicer with respect to Receivables in Accounts that previously became Defaulted Accounts.

"REGISTERED CERTIFICATES" shall have the meaning specified in Section 6.1.

"RELATED PERSON" shall mean a Person that is an Investor Certificateholder, an Enhancement Provider, an Affiliate of FDSNB, or a Person whose status would violate the conditions for a trustee contained in Section (4)(i) of Rule 3a-7 under the Investment Company Act of 1940, as amended.

"RELEVANT UCC STATE" shall mean each jurisdictions in which the filing of a UCC financing statement is necessary to perfect the ownership interest and security interest of the Transferor pursuant to the Receivables Purchase Agreement or the ownership or security interest of the Trustee

established under this Agreement.

"REMOVAL DATE" shall have the meaning specified in subsection 2.7(b).

"REMOVAL NOTICE DATE" shall mean the day, no later than the fifth Business Day prior to a Removal Date, on which the Transferor gives notice to the Trustee pursuant to Section 2.7(a) of its intention to remove Accounts from the Trust.

"REMOVED ACCOUNTS" shall have the meaning specified in subsection 2.7(a).

"REQUIREMENTS OF LAW" for any Person shall mean the certificate of incorporation or articles of association and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule 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).

"RESPONSIBLE OFFICER" shall mean any officer within the Corporate Trust Office (or any successor group

of the Trustee) who shall have direct responsibility for the administration of this Agreement, including any Vice President or any other officer of the Trustee customarily performing functions similar to those performed by any person who at the time shall be an above-designated officer.

"RETAINED INTEREST" shall mean, on any date of determination, the sum of the Transferor Amount and the Invested Amount represented by any Transferor Retained Certificate.

"RETAINED PERCENTAGE" shall mean, on any date of determination, the percentage equivalent of a fraction the numerator of which is the Retained Interest and the denominator of which is the aggregate amount of Principal Receivables PLUS all amounts on deposit in the Excess Funding Account (but not including investment earnings on such amounts) at the end of the day immediately prior to such date of determination.

"REVOLVING PERIOD" shall have, with respect to each Series, the meaning specified in the related Supplement.

"SECURED OBLIGATIONS" shall have the meaning specified in Section 2.1.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended from time to time.

"SERIES" shall mean any series of Investor Certificates, which may include within any such Series a Class or Classes of Investor Certificates subordinate to another such Class or Classes of Investor Certificates.

"SERIES ACCOUNT" shall mean any account or accounts established pursuant to a Supplement for the benefit of the related Series.

"SERIES PAY OUT EVENT" shall have, with respect to any Series, the meaning specified in the related Supplement.

"SERIES SERVICING FEE PERCENTAGE" shall mean, with respect to any Series, the amount specified as such in the related Supplement.

"SERIES TERMINATION DATE" shall mean, with respect to any Series of Certificates, the date stated as such in the related Supplement.

"SERVICE TRANSACTION FEES" shall have, with respect to any Account, the meaning specified in the Charge Account Agreement applicable to such Account for any service transaction fees or similar terms.

"SERVICER" shall mean initially FDSNB and thereafter any Person appointed as successor as herein provided to service the Receivables.

"SERVICER DEFAULT" shall have the meaning specified in Section 10.1.

"SERVICING FEE" shall have the meaning specified in Section 3.2.

"SETTLEMENT STATEMENT" shall mean a report showing the date (which shall be a Determination Date) and setting forth the computations reflected in the form thereof attached as Exhibit D hereto.

"SHARED PRINCIPAL COLLECTIONS" shall mean, with respect to any Business Day, the aggregate amount of Principal Collections for all outstanding Series that the related Supplements specify are to be treated as "Shared Principal Collections" available to be allocated to other Series for such Business Day.

"SPECIAL FEES" shall mean any fees which are not now but from time to time may be assessed on the Accounts. On or after the date on which any of such Special Fees begin to be assessed on the Accounts, the Transferor may designate in an Officer's Certificate whether such Special Fees shall be treated as Principal Receivables or Finance Charge Receivables.

"STANDARD & POOR'S" shall mean Standard & Poor's Ratings Services or its successors.

"SUCCESSOR SERVICER" shall have the meaning specified in subsection 10.2(a).

"SUPPLEMENT" shall mean, with respect to any Series, a supplement to this Agreement complying with the

terms of Section 6.9 of this Agreement, executed in conjunction with any issuance of Certificates of such Series (or, in the case of the issuance of Certificates on the Initial Closing Date, the supplement executed in connection with the issuance of such Certificates).

"SUPPLEMENTAL ACCOUNTS" shall have the meaning specified in subsection 2.6(c).

"SUPPLEMENTAL CERTIFICATE" shall have the meaning specified in Section 6.9(d).

"TERMINATION NOTICE" shall have, with respect to any Series, the meaning specified in Section 10.1.

"TRANSFER AGENT AND REGISTRAR" shall have the meaning specified in Section 6.3 and shall initially be the Trustee.

"TRANSFER DATE" shall mean, with respect to any Series, the Business Day immediately prior to each Distribution Date.

"TRANSFEROR" shall mean Prime II Receivables Corporation, a corporation organized and existing under the laws of the State of Delaware, and any successor thereto.

"TRANSFEROR AMOUNT" shall mean, on any date of determination, the aggregate amount of Principal Receivables at the end of the day immediately prior to such date of determination PLUS all amounts on deposit in the Excess Funding Account (but not including investment earnings on such amounts) at the end of such immediately preceding day, MINUS the Aggregate Invested Amount at the end of such immediately preceding day.

"TRANSFEROR EXCHANGE" shall have the meaning specified in subsection 6.9(b).

"TRANSFEROR FISCAL YEAR" shall mean the approximately twelve month period ending on the last day of the January Monthly Period.

"TRANSFEROR INTEREST" shall have the meaning specified in Section 4.1.

"TRANSFEROR PERCENTAGE" shall mean, on any date of determination, when used with respect to Principal Collections, Finance Charge Collections and Receivables in Defaulted Accounts, a percentage equal to 100% MINUS the Aggregate Investor Percentage with respect to such categories of Receivables.

"TRANSFEROR RETAINED CERTIFICATES" shall mean Investor Certificates of any Series retained by the Transferor.

"TRANSFEROR RETAINED CLASS" shall mean any Class of Investor Certificates of any Series retained by the Transferor, which Class is designated as a Retained Class pursuant to the related Supplement.

"TRANSFERRED ACCOUNT" shall mean an Account with respect to which a new credit account number has been issued by the Servicer or the Transferor under circumstances resulting from a lost or stolen credit card and not requiring standard application and credit evaluation procedures under the Credit and Collection Policy, and which can be traced or identified by reference to or by way of the computer files or microfiche lists delivered to the Trustee or the bailee of the Trustee pursuant to Section 2.1 or 2.6 as an account into which an Account has been transferred.

"TRIGGER EVENT" shall have the meaning specified in subsection 9.2(a).

"TRUST" shall mean the trust created by this Agreement, the corpus of which shall consist of the Trust Property.

"TRUST EXTENSION" shall have the meaning specified in subsection 12.1(a).

"TRUST PAY OUT EVENT" shall have, with respect to each Series, the meaning specified in Section 9.1.

"TRUST PROPERTY" shall have the meaning assigned in Section 2.1.

"TRUST TERMINATION DATE" shall mean the earliest to occur of (i) unless a Trust Extension shall have occurred, the day after the Distribution Date with re-

spect to any Series following the date on which funds shall have been deposited in the Distribution Account or the applicable Series Account for the payment of Investor Certificateholders of each Series then issued and outstanding sufficient to pay in full the Aggregate Invested Amount PLUS interest accrued at the applicable Certificate Rate through the end of the day prior to the Distribution Date with respect to each such Series and certain other amounts as may be specified in any Series Supplement, (ii) if a Trust Extension shall have occurred, the Extended Trust Termination Date, and (iii) the date specified in Section 12.1.

"TRUSTEE" shall mean The Chase Manhattan Bank and its successors and any Person resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee appointed as herein provided.

"UCC" shall mean the Uniform Commercial Code, as amended from time to time, as in effect in the applicable jurisdiction.

"UNCOVERED DILUTION AMOUNT" shall mean, for any Business Day, the amount by which the Transferor Amount would have been reduced below zero as a result of adjustments to the Aggregate Principal Receivables pursuant to Section 3.8, with respect to which the Transferor was obligated but failed to make a deposit into the Excess Funding Account by the close of business on the preceding Business Day.

"UNDIVIDED INTEREST" shall mean the undivided interest in the Trust evidenced by an Investor Certificate.

"UNFUNDED CERTIFICATE" shall have the meaning specified in Section 6.9(b).

"VARIABLE FUNDING CERTIFICATES" shall mean a Series of Investor Certificates, in one or more Classes, issued pursuant to Section 6.9 and a Variable Funding Supplement hereto.

"VARIABLE FUNDING SUPPLEMENT" shall mean a Supplement executed in connection with the issuance of Variable Funding Certificates.

"YIELD FACTOR" shall mean with respect to any Business Day the percentage equivalent of a fraction, determined on the preceding Date of Determination (or on such Business Day with respect to each Date of Determination), the numerator of which is (x) the product of the Billed Finance Charges for the Monthly Period preceding such Date of Determination and one MINUS the Delinquency Percentage for the preceding Date of Determination (or on such Business Day with respect to each Date of Determination) PLUS (y) Recoveries for the Monthly Period preceding such Date of Determination, and the denominator of which is the aggregate amount of Collections for the Monthly Period preceding such Date of Determination.

Section 1.2 OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in any Supplement or this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in Section 1.1, and accounting terms partially defined in Section 1.1 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained herein shall control.

(c) The agreements, representations and warranties of FDSNB in this Agreement and in any Supplement in its capacity as Servicer and of Prime II Receivables Corporation in its capacity as Transferor shall be deemed to be the agreements, representations and warranties of FDSNB and Prime II Receivables Corporation solely in each such capacity for so long as either of them acts in each such capacity under this Agreement.

(d) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to any Supplement or this Agreement as a whole and not to any particular provision of this Agreement or any Supplement; and Section, subsection, Schedule and Exhibit references contained in this Agree-

ment or any Supplement are references to Sections, subsections, Schedules and Exhibits in or to this Agreement or any Supplement unless otherwise specified. The Daily Report and Settlement Statement, the forms of which are attached as Exhibits C and D to this Agreement, shall be in substantially the forms of Exhibits C and D, with such changes as the Servicer may determine to be necessary or desirable; PROVIDED, HOWEVER, that no such change shall serve to exclude information required by this Agreement or any Supplement and each such change shall be reasonably acceptable to the Trustee. The Servicer shall, upon making such determination and receiving the consent of the Trustee to such

change, deliver to the Trustee and each Rating Agency an Officer's Certificate to which shall be annexed the form of the related Exhibit, as so changed. Upon the delivery of such Officer's Certificate to the Trustee, the related Exhibit, as so changed, shall for all purposes of this Agreement constitute such Exhibit. The Trustee may conclusively rely upon such Officer's Certificate in determining whether the related Exhibit, as changed, conforms to the requirements of this Agreement.

[End of Article I]

ARTICLE II

CONVEYANCE OF RECEIVABLES;
ISSUANCE OF CERTIFICATES

Section 2.1 CONVEYANCE OF RECEIVABLES. The Transferor does hereby transfer, assign, set-over, and otherwise convey to the Trust for the benefit of the Certificateholders, without recourse, all of its right, title and interest in, to and under (i) the Receivables now existing and hereafter created and arising in connection with the Accounts, including, without limitation, any Automatic Additional Accounts and all accounts, general intangibles, contract rights, and other obligations of any Obligor with respect to the Receivables, now or hereafter existing, (ii) all monies and investments due or to become due with respect thereto (including, without limitation, the right to any Finance Charge Receivables, including any Recoveries), (iii) all proceeds of such Receivables, and (iv) the Receivables Purchase Agreement. Such property, together with all monies and investments on deposit, from time to time, in the

Collection Account, the Excess Funding Account, the Series Accounts maintained for the benefit of the Certificateholders of any Series of Certificates, any Enhancement and all monies available under any Enhancement, to be provided for any Series for payment to the Certificateholders of such Series, shall constitute the assets of the Trust (collectively, the "Trust Property"). The foregoing transfer, assignment, set-over and conveyance does not constitute and is not intended to result in a creation or an assumption by the Trust, the Trustee or any Investor Certificateholder of any obligation of the Transferor, the Servicer, the applicable Originator or any other Person in connection with the Receivables or any agreement or instrument relating thereto, including, without limitation, any obligation to any Obligors, merchant banks, merchant clearance systems, VISA U.S.A., Inc., MasterCard International Incorporated or insurers, or in connection with the Receivables Purchase Agreement.

In connection with such transfer, assignment, set-over and conveyance, the Transferor agrees to record and file, at its own expense, one or more financing statements (including any continuation statements with respect to such financing statements when applicable) with respect to the Receivables now existing and hereafter created for the transfer of accounts or general intangibles (each as defined in Section 9-106 of the UCC as in effect in the Relevant UCC State) meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the assignment of the Receivables to the Trust, and to deliver file-stamped copies of such financing statements or continuation statements or other evidence of such filing (which may, for purposes of this Section 2.1, consist of facsimile confirmation of such filing) to the Trustee on or prior to the date of issuance of the Certificates, and in the case of any continuation statements filed pursuant to this Section 2.1, as soon as practicable after receipt thereof by the Transferor. The foregoing transfer, assignment, set-over and conveyance to the Trust shall be made to the Trustee, on behalf of the Trust, and each reference in this Agreement to such transfer, assignment, set-over and conveyance shall be construed accordingly.

In connection with such transfer, the Transferor agrees, at its own expense, on or prior to the Initial Closing Date (i) to annotate and indicate in its computer

files that Receivables created in connection with the Accounts have been transferred to the Trust pursuant to this Agreement for the benefit of the Certificateholders and (ii) to deliver to the Trustee or the bailee of the Trustee a computer file or microfiche list containing a true and complete list of all such Accounts, identified by account number and setting forth the Outstanding Balance of each Receivable as of the Cut-Off Date. Such file or list shall be marked as Schedule 1 to this Agreement, delivered to the Trustee or the bailee of the Trustee as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement. The Transferor further agrees not to alter the file designation referenced in clause (i) of this paragraph with respect to any Account during the term of this Agreement unless and until such Account becomes a Removed Account.

To the extent that the transfer of the Receivables from the Transferor to the Trust hereunder may be characterized as a pledge rather than as a sale, the Transferor hereby grants and transfers to the Trustee for the benefit of the Certificateholders a first priority perfected security interest in all of the Transferor's right, title and interest in, to and under the Trust Property to secure a loan in an amount equal to the unpaid principal amount of the Investor Certificates issued hereunder or to be issued pursuant to this Agreement and the interest accrued thereon at the related Certificate Rate and to secure all of the Transferor's and Servicer's obligations hereunder, including, without limitation, the Transferor's obligation to transfer Receivables hereafter created or acquired to the Trust (the "Secured Obligations"), and agrees that this Agreement shall constitute a security agreement under applicable law.

Section 2.2 ACCEPTANCE BY TRUSTEE.

(a) The Trustee hereby acknowledges its acceptance, on behalf of the Trust, of all right, title and interest previously held by the Transferor in, to and under the Trust Property and declares that it shall maintain such right, title and interest, upon the Trust herein set forth, for the benefit of all Certificateholders. The Trustee further acknowledges that, prior to or simultaneously with the execution and delivery of this

Agreement, the Transferor delivered to the Trustee or the bailee of the Trustee the computer file or microfiche list that was represented as being the computer file or microfiche list described in the third paragraph of Section 2.1.

(b) The Trustee hereby agrees not to disclose to any Person any of the account numbers or other information contained in the computer files or microfiche lists delivered to the Trustee or the bailee of the Trustee by the Transferor pursuant to Sections 2.1, 2.6 and 2.7 ("Account Information") except as is required in connection with the performance of its duties hereunder or in enforcing the rights of the Certificateholders or to a Successor Servicer appointed pursuant to Section 10.2, any successor trustee appointed pursuant to Section 11.7, any co-trustee or separate trustee appointed pursuant to Section 11.9 or any other Person in connection with a UCC search or as mandated pursuant to any Requirement of Law applicable to the Trustee. The Trustee agrees to take such measures as shall be reasonably requested by the Transferor to protect and maintain the security and confidentiality of such information, and, in connection therewith, shall allow the Transferor to inspect the Trustee's or the bailee of the Trustee's security and confidentiality arrangements from time to time during normal business hours. In the event that the Trustee is required by law to disclose any Account Information, the Trustee shall provide the Transferor with prompt written notice, unless such notice is prohibited by law, of any such request or requirement so that the Transferor may request a protective order or other appropriate remedy. The Trustee shall use its best efforts to provide the Transferor with written notice no later than five days prior to any disclosure pursuant to this subsection 2.2(b).

(c) The Trustee shall have no power to create, assume or incur indebtedness or other liabilities in the name of the Trust other than as contemplated in this Agreement.

Section 2.3 REPRESENTATIONS AND WARRANTIES OF THE TRANSFEROR. The Transferor hereby represents and warrants to the Trustee, on behalf of the Trust, as of the Initial Closing Date and, with respect to any Series

of Certificates, as of the date of the related Supplement and the related Closing Date:

(a) ORGANIZATION AND GOOD STANDING. The Transferor is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has full corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement, any Supplement, the Receivables Purchase Agreement and to execute and deliver to the Trustee the Certificates pursuant hereto.

(b) DUE QUALIFICATION. The Transferor is duly qualified to do business and is in good standing (or is exempt from such requirement) in any state required in order to conduct business, and has obtained all necessary licenses and approvals with respect to the Transferor required under federal and Delaware law; PROVIDED, HOWEVER, that no representation or warranty is made with respect to any qualifications, licenses or approvals which the Trustee would have to obtain to do business in any state in which the Trustee seeks to enforce any Receivable.

(c) DUE AUTHORIZATION. The execution and delivery of this Agreement, any Supplement and the Receivables Purchase Agreement and the execution and delivery to the Trustee of the Certificates by the Transferor and the consummation of the transactions provided for in this Agreement, any Supplement and the Receivables Purchase Agreement have been duly authorized by the Transferor by all necessary corporate action on its part and this Agreement will remain, from the time of its execution, an official record of the Transferor.

(d) BINDING OBLIGATION. Each of this Agreement, any Supplement and the Receivables Purchase Agreement, and the consummation of the transactions provided for herein and therein, constitutes a legal, valid, and binding obligation of the Transferor, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement of creditors'

rights in general and as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(e) NO CONFLICTS. The execution, delivery and performance of this Agreement, the Receivables Purchase Agreement, any Supplement and the Certificates and the performance of the transactions contemplated by this Agreement, the Receivables Purchase Agreement and any Supplement and the fulfillment of the terms hereof by the Transferor, do not (i) contravene its charter or By-Laws, (ii) violate any provision of, or require any filing (except for the filings under the UCC required by this Agreement, each of which has been duly made and is in full force and effect), registration, consent or approval under, any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Transferor, except for such filings, registrations, consents or approvals as have already been obtained and are in full force and effect, (iii) result in a breach of or constitute a default or require any consent under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Transferor is a party or by which it or its properties may be bound or affected except those as to which a consent or waiver has been obtained and is in full force and effect and an executed copy of which has been delivered to the Trustee, or (iv) result in, or require, the creation or imposition of any lien upon or with respect to any of the properties now owned or hereafter acquired by the Transferor other than as specifically contemplated by this Agreement.

(f) TAXES. The Transferor has filed all tax returns (federal, state and local) required to be filed and has paid or made adequate provision for the payment of all taxes, assessments and other governmental charges due from the Transferor or is contesting any such tax, assessment or other

governmental charge in good faith through appropriate proceedings. The Transferor knows of no basis for any material additional tax assessment for any fiscal year for which adequate reserves have not been established.

(g) NO VIOLATION. The execution and delivery of this Agreement, any Supplement, the Receivables Purchase Agreement and the Certificates, the performance of

the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with or violate any Requirements of Law applicable to the Transferor.

(h) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the knowledge of the Transferor, threatened against the Transferor before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of this Agreement, any Supplement, the Receivables Purchase Agreement or the Certificates, (ii) seeking to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by this Agreement, any Supplement, the Receivables Purchase Agreement or the Certificates, (iii) seeking any determination or ruling that, in the reasonable judgment of the Transferor, would materially and adversely affect the performance by the Transferor of its obligations under this Agreement, any Supplement or the Receivables Purchase Agreement, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, any Supplement, the Receivables Purchase Agreement or the Certificates or (v) seeking to affect adversely the income tax attributes of the Trust.

(i) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or of any governmental body or official required in connection with the execution and delivery of this Agreement, any Supplement, the Receivables Purchase Agreement and the Certificates, the performance of the transactions contemplated by this Agreement, any Supplement, the Receivables Purchase Agreement and the fulfillment of the terms hereof, have been obtained.

(j) BONA FIDE RECEIVABLES. Each Receivable is or will be an account receivable arising out of an Originator's performance in accordance with the terms of the Charge Account Agreement giving rise to such Receivable. The Transferor has no knowledge of any fact which should have led it to expect at the time of the initial creation of an interest in any Eligible Receivable hereunder that such Eligible Receivable would not be paid in full when due. Each Receivable classified as an "Eligible Receivable" by the Transferor in any document or report deliv-

ered hereunder satisfies the requirements of eligibility contained in the definition of Eligible Receivable.

(k) PLACE OF BUSINESS. The principal place of business of the Transferor is in Mason, Ohio, and the offices where the Transferor keeps its records concerning the Receivables and related contracts are in Mason, Ohio.

(l) USE OF PROCEEDS. No proceeds of the issuance of any Certificate will be used by the Transferor to purchase or carry any margin security.

(m) PAY OUT EVENT. As of the Initial Closing Date, no Pay Out Event and no condition that with the giving of notice and/or the passage of time would constitute a Pay Out Event (a "Prospective Pay Out Event"), has occurred and is continuing.

(n) NOT AN INVESTMENT COMPANY. The Transferor is not an "investment company" within the meaning of the Investment Company Act, or is exempt from all provisions of such Act.

(o) SOLVENCY. The Transferor is not insolvent and will not be rendered insolvent upon the transfer of the Receivables to the Trust.

For the purposes of the representations and warranties contained in this Section 2.3 and made by the Transferor on the Initial Closing Date, "Certificates" shall mean the Certificates issued on the Initial Closing Date. The representations and warranties set forth in this Section 2.3 shall survive the transfer and assignment of the respective Receivables to the Trust, and termination of the rights and obligations of the Servicer pursuant to Section 10.1. The Transferor hereby represents and warrants to the Trust, with respect to any Series of Certificates, as of its Closing Date, unless otherwise stated in the related Supplement, that the representations and warranties of the Transferor set forth in Section 2.3, are true and correct as of such date (for the purposes of such representations and warranties, "Certificates" shall mean the Certificates issued on the related Closing Date). Upon discovery by the Transferor, the Servicer or a Responsible Officer of the Trustee of a breach of any of the foregoing representa-

tions and warranties, the party discovering such breach shall give prompt written notice to the others.

Section 2.4 REPRESENTATIONS AND WARRANTIES OF THE TRANSFEROR RELATING TO THE AGREEMENT AND THE RECEIVABLES.

(a) BINDING OBLIGATION; VALID TRANSFER AND ASSIGNMENT. The Transferor hereby represents and warrants to the Trustee, on behalf of the Trust, that, as of the Initial Closing Date and with respect to any Series of Certificates, as of the date of its related Supplement and Closing Date, and, with respect to any Series and matters involving (X) Supplemental Accounts, as of the applicable Addition Date and (Y) Automatic Additional Accounts, as of the date the Receivables of such Accounts are designated for inclusion in the Trust:

(i) The Receivables Purchase Agreement, this Agreement and any Supplement each constitutes the legal, valid and binding obligation of the Transferor, enforceable against the Transferor in accordance with its terms, except (A) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general, and (B) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(ii) This Agreement constitutes either (A) a valid transfer, assignment, set-over and conveyance to the Trust of all right, title and interest of the Transferor in and to the Trust Property, and such Trust Property will be held by the Trust free and clear of any Lien of any Person claiming through or under the Transferor or any of its Affiliates except for (x) Permitted Liens, (y) the interest of the Transferor as Holder of the Exchangeable Transferor Certificate and any other Class of Certificates held by the Transferor from time to time and (z) the Transferor's right, if any, to interest accruing on, and investment earnings, if any, in respect of the Interest Funding Account, the Principal Account, the Excess Funding Account, or any Series Account, as provided in this Agreement or the

related Supplement, or (B) a grant of a security interest (as defined in the UCC as in effect in the Relevant UCC State) in, to and under the Trust Property, which grant is enforceable with respect to the existing Receivables and any Receivables in Automatic Additional Accounts designated for inclusion in the Trust (other than Receivables in Supplemental Accounts) and the proceeds thereof upon execution and delivery of this Agreement, and which will be enforceable with respect to such Receivables hereafter created and the proceeds thereof, upon such creation. If this Agreement constitutes the grant of a security interest to the Trust in such property, upon the filing of the financing statement described in Section 2.1 and in the case of the Receivables hereafter created and proceeds thereof, upon such creation, the Trust shall have a first priority perfected security interest in

such property, except for Permitted Liens. Except as contemplated in this Agreement or any Supplement, neither the Transferor nor any Person claiming through or under the Transferor shall have any claim to or interest in the Collection Account, the Principal Account, the Interest Funding Account, the Distribution Account, the Excess Funding Account, the principal funding account for any Series or any other Series Account, except for the Transferor's rights to receive interest accruing on, and investment earnings in respect of, any such account as provided in this Agreement (or, if applicable, any Series Account as provided in any Supplement) and, if this Agreement constitutes the grant of a security interest in such property, except for the interest of the Transferor in such property as a debtor for purposes of the UCC as in effect in the Relevant UCC State. The Receivables Purchase Agreement constitutes a transfer, assignment, set-over and conveyance to the Transferor of all rights, titles and interests of the Originators in and to the Receivables purported to be sold thereunder, whether then existing or thereafter created in the applicable Accounts and the proceeds thereof.

(iii) The Transferor is not insolvent.

(iv) The Transferor is the legal and beneficial owner of all right, title and interest in

and to each Receivable and each Receivable has been or will be transferred to the Trust free and clear of any Lien other than Permitted Liens.

(v) All consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Transferor in connection with the transfer of Trust Property to the Trust have been duly obtained, effected or given and are in full force and effect.

(vi) The Transferor has clearly and unambiguously marked all its computer records and all its microfiche storage files regarding the Receivables as the property of the Trust and shall maintain such records in a manner such that the Trust shall have a perfected interest in such Receivables.

(vii) As of the Initial Closing Date, on the Business Day following the date the Servicer receives a Termination Notice pursuant to Section 10.1 and on the Business Day following any Amortization Period Commencement Date, Schedule 1 to this Agreement is and will be an accurate and complete listing of all Accounts in all material respects as of such day and the information contained therein with respect to the identity of each Account and the aggregate unpaid balance of the Receivables existing thereunder is and will be true and correct in all material respects as of such day.

(viii) Each Account classified as an "Eligible Account" by the Transferor in any document or report delivered hereunder will satisfy the requirements contained in the definition of Eligible Account and each Receivable classified as an "Eligible Receivable" by the Transferor in any document or report delivered hereunder will satisfy the requirements contained in the definition of Eligible Receivable.

(ix) All material information with respect to the Accounts and the Receivables provided to the Trustee by the Transferor was true and correct as of the Closing Date, or with respect to Supplemental Accounts as of each Addition Date and

with respect to Automatic Additional Accounts, as of the day Receivables arising under each such Account are designated for inclusion in the Trust, as the case may be.

(x) Each Receivable then existing has been conveyed

to the Trust free and clear of any Lien of any Person claiming through or under the Transferor or any of its Affiliates (other than Permitted Liens) and in compliance, in all material respects, with all Requirements of Law applicable to the Transferor.

(xi) With respect to each Receivable then existing, all consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Transferor in connection with the conveyance of such Receivable to the Trust have been duly obtained, effected or given and are in full force and effect.

(xii) On each day on which any new Receivable is purchased by the Transferor, the Transferor shall be deemed to represent and warrant to the Trust that (A) each Receivable purchased by the Transferor on such day has been conveyed to the Trust in compliance, in all material respects, with all Requirements of Law applicable to the Transferor and free and clear of any Lien of any Person claiming through or under the Transferor or any of its Affiliates (other than Permitted Liens) and (B) with respect to each such Receivable, all consents, licenses, approvals or authorizations of or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Transferor in connection with the conveyance of such Receivable to the Trust have been duly obtained, effected or given and are in full force and effect.

(b) NOTICE OF BREACH. The representations and warranties set forth in this Section 2.4 shall survive the transfer and assignment of the respective Receivables to the Trust. Upon discovery by the Transferor, the Servicer or a Responsible Officer of the Trustee of a breach of any of the representations and warranties set

forth in this Section 2.4, the party discovering such breach shall give prompt written notice to the other parties mentioned above. The Transferor agrees to cooperate with the Servicer and the Trustee in attempting to cure any such breach.

(c) DESIGNATION OF INELIGIBLE RECEIVABLES. In the event of a breach with respect to a Receivable of any representations and warranties set forth in subsection 2.3(i) or subsections 2.4(a)(ii) through (xii), or in the event that a Receivable is not an Eligible Receivable as a result of the failure to satisfy the conditions set forth in the definition of Eligible Receivable, such Receivable shall be designated an "Ineligible Receivable" and shall be assigned a principal balance of zero for the purpose of determining the aggregate amount of Principal Receivables on any day; PROVIDED, HOWEVER, that if such representations and warranties with respect to such Receivable shall subsequently be true and correct in all material respects as if such Receivable had been created on such day or such Receivable shall subsequently satisfy the conditions set forth in the definition of Eligible Receivable, such Receivable shall be designated an Eligible Receivable, and the principal amount of such Receivable (determined in accordance with the procedures set forth in the definition of Principal Receivable) shall be included in determining the aggregate amount of Principal Receivables on such day and the amount of such Receivable remaining after subtracting the principal amount of such Receivable shall be designated a Finance Charge Receivable, and shall be included in determining the aggregate amount of Finance Charge Receivables for such day. When the provisions of this subsection 2.4(c) require designation of a Receivable as an Ineligible Receivable, the Servicer shall deduct the product of the unpaid balance of such Ineligible Receivable and one MINUS the Finance Charge Receivable Factor from the Principal Receivables in the Trust and decrease the Transferor Amount by such amount. On and after the date of such designation, each Ineligible Receivable shall not be given credit in determining the aggregate amount of Principal Receivables used in the calculation of any Investor Percentage, the Transferor Percentage or the Transferor Amount. In the event that on any Business Day the exclusion of an Ineligible Receivable from the calculation of the Transferor Amount would cause the Transferor Amount to be reduced below the Minimum Transferor Amount, the Transferor shall make a

deposit in the Excess Funding Account (for allocation as a Principal Receivable) in immediately available funds prior to the next succeeding Business Day in an amount equal to the amount by which the Transferor Amount would be reduced below the Minimum Transferor Amount as a result of the exclusion of such Ineligible Receivable. The portion of such deposit allocated to the Investor Certificates of each Series shall be distributed to the Investor Certificateholders of each Series in the manner specified in Article IV.

(d) REASSIGNMENT OF TRUST PORTFOLIO. In the event of a breach of any of the representations and warranties set forth in subsections 2.3(a), (b) or (c) or subsections 2.4(a)(i) or (ii) with respect to any Series, either the Trustee or the Holders of Investor Certificates evidencing Undivided Interests aggregating more than 50% of the Aggregate Invested Amount of such Series, by notice then given in writing to the Transferor (and to the Trustee and the Servicer, if given by the Investor Certificateholders), may direct the Transferor to accept reassignment of an amount of Principal Receivables equal to the face amount of the Invested Amount to be repurchased (as specified below) within 60 days of such notice (or within such longer period as may be specified in such notice), and the Transferor shall be obligated to accept reassignment of such Principal Receivables on a Distribution Date specified by the Transferor (such Distribution Date, the "Reassignment Date") occurring within such applicable period on the terms and conditions set forth below; PROVIDED, HOWEVER, that no such reassignment shall be required to be made if at any time during such applicable period, the representations and warranties contained in subsections 2.3(a), (b) or (c) or subsections 2.4(a)(i) or (ii) shall then be true and correct in all material respects. The Transferor shall, on the Transfer Date (in next day funds) preceding the Reassignment Date, deposit an amount equal to the reassignment deposit amount for such Series in the Distribution Account or Series Account, as provided in the related Supplement, for distribution to the Investor Certificateholders pursuant to Article XII. The reassignment deposit amount with respect to any Series, unless otherwise stated in the related Supplement, shall be equal to (i) the Invested Amount of such Series at the end of the day on the last day of the Monthly Period preceding the Reassignment Date; PROVIDED, HOWEVER, that with respect to any Series

issued pursuant to a Variable Funding Supplement such amount shall be the Invested Amount of such Series as of the Reassignment Date, less the amount, if any, previously allocated for payment of principal to such Certificateholders on the related Reassignment Date in the Monthly Period in which the Reassignment Date occurs, PLUS (ii) an amount equal to all interest accrued but unpaid on the Investor Certificates of such Series at the applicable Certificate Rate through such last day, less the amount, if any, previously allocated for payment of interest to the Certificateholders of such Series on the related Distribution Date in the Monthly Period in which the Reassignment Date occurs PLUS any other amounts accrued and owing as specified in the applicable Supplement. Payment of the reassignment deposit amount with respect to any Series, and all other amounts in the Distribution Account or the applicable Series Account in respect of the preceding Monthly Period, shall be considered a prepayment in full of the Receivables represented by the Investor Certificates of such Series. On the Distribution Date following the Transfer Date on which such amount has been deposited in full into the Distribution Account or the applicable Series Account, the Receivables and all monies due or to become due with respect thereto and all proceeds of the Receivables shall be released to the Transferor after payment of all amounts otherwise due hereunder on or prior to such dates and the Trustee shall execute and deliver such instruments of transfer or assignment, in each case without recourse, representation or warranty, as shall be prepared by and as are reasonably requested by the Transferor to vest in the Transferor, or its designee or assignee, all right, title and interest of the Trust in and to such Receivables, all monies due or to become due with respect thereto and all proceeds of such Receivables allocated to such Receivables pursuant to the related Supplement. If the Trustee or the Investor Certificateholders of any Series give notice directing the Transferor to accept reassignment as provided above, the obligation of the Transferor to accept reassignment of the applicable Receivables and pay the reassignment deposit amount pursuant to this subsection 2.4(d) shall constitute the sole remedy respecting a breach of the representations and warranties contained in subsections 2.3(a), (b) and (c) and subsections 2.4(a)(i) and (ii) available to the Investor Certificateholders of such Series or the Trustee on behalf of the

such Series. The Trustee shall have no duty to conduct any affirmative investigation as to the occurrence of any condition requiring the repurchase of any Receivable by the Transferor pursuant to this Agreement or any Supplement or the eligibility of any Receivable for purposes of this Agreement or any Supplement.

Section 2.5 COVENANTS OF THE TRANSFEROR. The Transferor hereby covenants that:

(a) RECEIVABLES TO BE ACCOUNTS OR GENERAL INTANGIBLES. The Transferor will take no action to cause any Receivable to be evidenced by any instrument (as defined in the UCC as in effect in the Relevant UCC State). The Transferor will take no action to cause any Receivable to be anything other than an "account" or a "general intangible" (each as defined in the UCC as in effect in the Relevant UCC State).

(b) SECURITY INTERESTS. Except for the conveyances hereunder, the Transferor will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on any Receivable, whether now existing or hereafter created, or any interest therein; the Transferor will immediately notify the Trustee of the existence of any Lien on any Receivable; and the Transferor shall defend the right, title and interest of the Trust in, to and under the Receivables, whether now existing or hereafter created, against all claims of third parties claiming through or under the Transferor; PROVIDED, HOWEVER, that nothing in this subsection 2.5(b) shall prevent or be deemed to prohibit the Transferor from suffering to exist upon any of the Receivables any Permitted Lien.

(c) CHARGE ACCOUNT AGREEMENTS AND CREDIT AND COLLECTION POLICIES. The Transferor shall comply with and perform its obligations and shall cause the Originators 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 Pay Out Event to occur and (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 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.

(d) ACCOUNT ALLOCATIONS. In the event that the Transferor is unable for any reason to transfer Receivables to the Trust in accordance with the provisions of this Agreement (including, without limitation, by reason of the application of the provisions of Section 9.2 or an order by any Governmental Authority or any court of competent jurisdiction that the Transferor not transfer any additional Receivables to the Trust) then, in any such event, (A) the Transferor agrees to allocate and pay to the Trust, after the date of such inability, all Collections with respect to Receivables, and all amounts which would have constituted Collections with respect to Receivables but for the Transferor's inability to transfer such Receivables; (B) the Transferor agrees to have such amounts applied as Collections in accordance with Article IV; and

(C) for only so long as all Collections and all amounts which would have constituted Collections are allocated and applied in accordance with clauses (A) and (B) above, Receivables (and all amounts which would have constituted Receivables but for the Transferor's inability to transfer Receivables to the Trust) that are written off as uncollectible in accordance with the applicable Credit and Collection Policy shall continue to be allocated in accordance with Article IV, and all amounts that would have constituted Receivables but for the Transferor's inability to transfer Receivables to the Trust shall be deemed to be Receiv-

ables for the purpose of calculating (i) the applicable Investor Percentage with respect to any Series and (ii) the Aggregate Investor Percentage thereunder and (iii) Principal Receivables and Finance Charge Receivables. If the Transferor is unable pursuant to any Requirement of Law to allocate Collections as described above, the Transferor agrees that it shall in any such event allocate, after the occurrence of such event, payments on each Account with respect to the principal balance of such Account first to the oldest principal balance of such Account and to have such payments applied as Collections in accordance with Article IV.

(e) DELIVERY OF COLLECTIONS. In the event that the Transferor receives Collections, the Transferor agrees to pay to the Servicer all payments received by the Transferor in respect of the Receivables as soon as practicable after receipt thereof by the Transferor.

(f) CONVEYANCE OF ACCOUNTS. The Transferor covenants and agrees that it will not permit the Originators to convey, assign, exchange or otherwise transfer any Account to any Person prior to the termination of this Agreement pursuant to Article XII; PROVIDED, HOWEVER, that the Transferor shall not be prohibited hereby from permitting an Originator to convey, assign, exchange or otherwise transfer an Account of such Originator in connection with a transaction in which such Originator and its successor agree to comply with provisions substantially similar to those of either Section 2.7 or Section 7.2.

(g) NOTICE OF LIENS. The Transferor shall notify the Trustee promptly after becoming aware of any Lien on any Receivable other than Permitted Liens.

(h) ENFORCEMENT OF RECEIVABLES PURCHASE AGREEMENT. The Transferor agrees to take all action necessary and appropriate to enforce its rights and claims under the Receivables Purchase Agreement.

(i) SEPARATE BUSINESS. Other than with respect to In-Store Payments, the Transferor will not permit its assets to be commingled with those of FDSNB or FCHC, the Transferor shall maintain separate corporate records and books of account from those of FDSNB and FCHC and the Transferor shall conduct its business from an

independent office. The Transferor will conduct its business solely in its own name and will cause FDSNB and FCHC to conduct their business solely in their own names so as not to mislead others as to the identity of the entity with which those others are concerned. The Transferor will provide for its own operating expenses and liabilities from its own funds, except that the organizational expenses of the Transferor may be paid by FDSNB or FCHC. The Transferor will not hold itself out, or permit itself to be held out, as having agreed to pay, or as being liable for, the debts of FDSNB or FCHC. The Transferor shall cause FDSNB and FCHC not to hold themselves out, or permit themselves to be held out, as having agreed to pay, or as being liable for, the debts of the Transferor. The Transferor will maintain an arm's length relationship with FDSNB and FCHC and any of their respective Affiliates with respect to any transactions between the Transferor, on the one hand, and FDSNB or FCHC or any of their respective Affiliates on the other.

(j) ORIGINATORS. Transferor shall not acquire Receivables from any Person other than an Originator which has agreed to comply with all applicable terms of the Receivables Purchase Agreement or another agreement containing terms identical in all material respects to the terms contained in the Receivables Purchase Agreement.

(k) RECEIVABLES PURCHASE AGREEMENT NOTICES. The Transferor shall promptly give the Trustee copies of any notices, reports or certificates given or delivered to the Transferor under the Receivables Purchase Agreement.

(l) CAPITALIZATION. The Transferor shall maintain Equity in an amount adequate to meet its obligations as such may arise from time to time. As used herein, "Equity" means, at any date, without duplication, the sum of (i) the Transferor's net worth (determined in accordance with generally accepted accounting principles) and (ii) the outstanding principal amount of, and all accrued and unpaid interest on, the Subordinated Promissory Note dated January 23, 1997 from the Transferor to FCHC, as such note may be amended, waived, or otherwise modified from time to time in accordance with the terms thereof.

(m) NOTICE OF CHANGE IN MONTHLY PERIOD. The Transferor shall provide written notice to the Trustee at least 15 Business Days in advance of any change in its fiscal month.

Section 2.6 ADDITION OF ACCOUNTS.

(a) Except as otherwise provided in this subsection 2.6(a), all consumer revolving credit card accounts which meet the definition of Automatic Additional Accounts shall be included as Accounts from and after the date upon which such Automatic Additional Accounts come into existence and all Receivables in such Automatic Additional Accounts, whether such Receivables are then existing or thereafter created, shall be transferred automatically to the Trust upon purchase by the Transferor. The Transferor, at its option, may at any time, by providing written notice to the Trustee, the Servicer and each Rating Agency, specify a date (the "Suspension Date") as of which the inclusion of Automatic Additional Accounts as Accounts shall be terminated or suspended. Within five Business Days following any Suspension Date, the Transferor shall provide to the Trustee or the bailee of the Trustee a list of all Accounts as of the Suspension Date (which list may be in the form of a microfiche or computer file and which shall be incorporated by reference into this Agreement). In the event that following any Suspension Date the Transferor desires to resume including Automatic Additional Accounts as Accounts, it will provide at least five Business Days' prior written notice to the Trustee, the Servicer and each Rating Agency of the date (the "Resumption Date") upon which such resumption will occur. Within five Business Days following the Resumption Date, the Transferor will provide to the Trustee or the bailee of the Trustee a computer file or microfiche list containing a true and complete list of all consumer revolving credit card accounts which (i) came into existence on or after the applicable Suspension Date, (ii) meet the definition of Automatic Additional Accounts, (iii) have not been included as Accounts on or prior to such Resumption Date pursuant to subsections 2.6(b) or 2.6(c) and (iv) the Transferor does not wish to include as Accounts from and after such Resumption Date. All Automatic Additional Accounts coming into existence on and after the Resumption Date shall be included as Accounts and all Receivables in such Automatic Additional Accounts, whether such Receiv-

ables are then existing or thereafter created, shall be transferred automatically to the Trust upon purchase by the Transferor. Within five Business Days after the Resumption Date, the Transferor agrees to amend all financing statements relating to the Receivables to reflect such resumption. For all purposes of this Agreement, all receivables of such Automatic Additional Accounts shall be treated as Receivables upon their creation and shall be subject to the eligibility criteria specified in the definitions of "Eligible Receivable" and "Eligible Account."

(b) On any day on which the Receivables in Automatic Additional Accounts are to be transferred to the Trust, such Accounts shall be included as Eligible Accounts if such Accounts satisfy the requirements of clauses (a) through (e) of the definition of Eligible Accounts.

(c) If the Transferor has elected to terminate or suspend the inclusion of Automatic Additional Accounts and (i) on any Record Date, the Transferor Amount (excluding any portion thereof represented by a Supplemental

Certificate) for the related Monthly Period is less than the Minimum Transferor Amount, the Transferor shall designate additional credit card accounts or any successor credit card account designation accounts ("Supplemental Accounts") to be included as Accounts in a sufficient amount such that the Transferor Amount as a percentage of the Aggregate Principal Receivables for such Monthly Period after giving effect to such addition is at least equal to the Minimum Transferor Amount, or (ii) on any Record Date, the aggregate amount of Principal Receivables is less than the Minimum Aggregate Principal Receivables, the Transferor shall designate Supplemental Accounts to be included as Accounts in a sufficient amount such that the aggregate amount of Principal Receivables will be equal to or greater than the Minimum Aggregate Principal Receivables. Receivables from such Supplemental Accounts shall be transferred to the Trust on or before the tenth Business Day following such Record Date.

(d) In addition to its obligation under subsection 2.6(c), if and for so long as the Transferor has elected to terminate or suspend the inclusion of Automatic Additional Accounts, the Transferor may upon ten

Business Days' notice to the Trustee and each Rating Agency, but shall not be obligated to, designate from time to time Supplemental Accounts of the Transferor to be included as Accounts.

(e) The Transferor agrees that any such transfer of Receivables from Supplemental Accounts, under subsection 2.6(c) or (d), shall satisfy the following conditions (to the extent provided below):

(i) on or before the fifth Business Day prior to the Addition Date with respect to additions pursuant to subsection 2.6(c) and on or before the tenth Business Day prior to the Addition Date with respect to additions pursuant to subsection 2.6(d) (as applicable, the "Notice Date"), the Transferor shall give the Trustee, each Rating Agency and the Servicer written notice that such Supplemental Accounts will be included, which notice shall specify the approximate aggregate amount of the Receivables to be transferred;

(ii) on or before the applicable Addition Date, the Transferor shall have delivered to the Trustee a written assignment (including an acceptance by the Trustee on behalf of the Trust for the benefit of the Investor Certificateholders) in substantially the form of Exhibit B (the "Assignment") and the Transferor shall have indicated in its computer files that the Receivables created in connection with the Supplemental Accounts have been transferred to the Trust and, within five Business Days thereafter, the Transferor shall have delivered to the Trustee or the bailee of the Trustee a computer file or microfiche list containing a true and complete list of all Supplemental Accounts, identified by account number and the Outstanding Balance of the Receivables in such Supplemental Accounts, as of the Addition Cut-Off Date, which computer file or microfiche list shall be as of the date of such Assignment incorporated into and made a part of such Assignment and this Agreement;

(iii) the Transferor shall represent and warrant that (x) each such Supplemental Account is an Eligible Account and each Receivable in such Supplemental Account is an Eligible Receivable, (y)

no selection procedures believed by the Transferor to be materially adverse to the interests of the Investor Certificateholders were utilized in selecting the Supplemental Accounts, provided, that, the selection of newly originated Accounts is deemed not to be materially adverse to the interests of the Investor Certificateholders, and (z) as of the applicable Addition Date, the Transferor is not insolvent and will not be rendered insolvent upon the transfer of Receivables to the Trust;

(iv) the Transferor shall represent and warrant that, as of the Addition Date, the Assignment

constitutes either (x) a valid transfer and assignment to the Trust of all right, title and interest of the Transferor in and to (i) the Receivables then existing and thereafter created and arising in connection with the Supplemental Accounts, including, without limitation, all accounts, general intangibles, contract rights, and other obligations of any Obligor with respect to the Receivables, then or thereafter existing, (ii) all monies and investments due or to become due with respect thereto (including, without limitation, the right to any payment of interest and Finance Charge Receivables, including any Recoveries) and (iii) all proceeds (as defined in the UCC as in effect in the Relevant UCC State) with respect to such Receivables, and such Receivables and all proceeds thereof will be held by the Trust free and clear of any Lien of any Person claiming through or under the Transferor or any of its Affiliates except for (I) Permitted Liens, (II) the interest of the Transferor as Holder of the Exchangeable Transferor Certificate and any other Class or Series of Certificates and (III) the Transferor's right, if any, to receive interest accruing on, and investment earnings, if any, in respect of, any Interest Funding Account, any Principal Account, the Excess Funding Account or any Series Account as provided in the Pooling and Servicing Agreement and any Supplement; or (y) a grant of a security interest (as defined in the UCC as in effect in the Relevant

UCC State) thereof upon such creation. In addition, the Transferor shall represent and warrant that, if the Assignment constitutes the grant of a security interest to the Trust in such property pursuant to clause (y) above, upon filing of a financing statement described in the Assignment with respect to the Supplemental Accounts designated thereby and in the case of the Receivables of such Supplemental Accounts thereafter created and the proceeds (as defined in the UCC as in effect in the Relevant UCC State) thereof, upon such creation, the Trust shall have a first priority perfected security interest in such property, except for Permitted Liens.

(v) the Transferor shall deliver to the Trustee an Officer's Certificate substantially in the form of Schedule 2 to Exhibit B confirming the items set forth in paragraph (ii) above;

(vi) the Transferor shall deliver to the Trustee an Opinion of Counsel with respect to the Receivables in the Supplemental Accounts (with a copy to the Rating Agencies) substantially in the form of Exhibit F; and

(vii) the Transferor shall have received written notice from each Rating Agency that the inclusion of such accounts as Supplemental Accounts pursuant to subsection 2.6(c) or (d), as the case may be, will not result in the reduction or withdrawal of its then existing rating of any Series of Investor Certificates then issued and outstanding and shall have delivered such notice to the Trustee.

Section 2.7 REMOVAL OF ACCOUNTS.

(a) On each Determination Date that the Transferor Amount for the related Monthly Period exceeds the Minimum Transferor Amount, the Trustee shall be deemed to have offered to the Transferor automatically and without any notice to or action by or on behalf of the Trustee, as of such Determination Date, the right to remove from the Trust all of the Trust's right, title and interest in, to and under the Receivables now existing and hereafter created, all monies due or to become due and all amounts received with respect thereto and all proceeds thereof in or with respect to those Accounts designated

by the Transferor (the "Removed Accounts") in an aggregate amount not greater than (i) at any time the excess of the Transferor Amount over the Minimum Transferor Amount, and (ii) if any Amortization Period has commenced with respect to any Series, the lesser of (x) the excess of the Transferor Amount over the Minimum Transferor Amount and (y) the excess of Aggregate Principal Receivables PLUS any amount on deposit in any Principal Account for the benefit of the Holders of Investor Certificates of such Series over the Minimum

Aggregate Principal Receivables. To accept such offer, the Transferor is required to furnish to the Trustee and each Rating Agency written notice by the fifth Business Day after the Determination Date specifying the approximate aggregate amount of Principal Receivables covered by the offer that the Transferor intends to accept.

(b) In addition to the satisfaction of the conditions set forth in subsection 2.7(a), the Transferor shall be permitted to accept reassignment to it of the Receivables from Removed Accounts only upon satisfaction of the following conditions:

(i) On each date specified by the Transferor for removal of the Removed Accounts (a "Removal Date"), the Transferor shall prepare and the Trustee shall execute and deliver to the Transferor a written reassignment in substantially the form of Exhibit H (the "Reassignment") and the Transferor shall deliver to the Trustee or the bailee of the Trustee a computer file or microfiche list containing a true and complete schedule identifying all Accounts the Receivables of which remain in the Trust specifying for each such Account, as of the Removal Notice Date, its account number and the Outstanding Balance of such Account. Such computer file or microfiche list shall be incorporated into and made part of this Agreement as of the date of such Reassignment.

(ii) The Transferor shall represent and warrant as of each Removal Notice Date that (a) the list of the Accounts not removed from the Trust, as of the Removal Notice Date, complies in all material respects with the requirements of paragraph (i) above and (b) either (1) no selection procedure used by the Transferor which is materially adverse to the

interests of the Investor Certificateholders was utilized in selecting the Removed Accounts or (2) a random selection procedure was used by the Transferor in selecting the Removed Accounts.

(iii) The Transferor shall represent and warrant that the removal of any Receivables in any Removed Accounts on any Removal Date shall not, in the reasonable belief of the Transferor, cause a Pay Out Event to occur.

(iv) The Transferor shall have delivered at least ten days' (or such lesser number as any Rating Agency may agree) prior written notice (which may be given prior to the Removal Date in expectation that the Trustee will make the offer described in subsection 2.7(a)) of such removal to each Rating Agency which has rated any outstanding Series and the Trustee shall have received written confirmation from each such Rating Agency that such Rating Agency will not reduce or withdraw its rating on any outstanding Series as a result of such removal.

(v) The Transferor shall have delivered to the Trustee a certificate of a Vice President or more senior officer confirming the Transferor's compliance with the items set forth in paragraphs (i) through (iv) above. The Trustee may conclusively rely on such certificate, shall have no duty to make inquiries with regard to the matters set forth therein and shall incur no liability in so relying.

(c) Upon satisfaction of the conditions set forth in subsections 2.7(a) and (b), the Trustee shall execute and deliver the Reassignment to the Transferor, and the Receivables from the Removed Accounts shall no longer constitute a part of the Trust.

(d) Notwithstanding any other provisions of this Section 2.7, the Transferor will be permitted 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 then existing in such Removed Accounts together with all monies due or to become due and all amounts received with respect thereto and all proceeds thereof or with respect to such 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 Federated retail operating subsidiary if the conditions in clauses (i), (iii) and (iv) of subsection 2.7(b) have been satisfied and the Transferor shall have delivered to the Trustee an Officer's Certificate confirming the compliance with such conditions; PROVIDED, HOWEVER, that the Transferor will have the option under such circumstances, if it provides the Trustee with an Opinion of Counsel to the effect that the Trust will continue to have a first priority perfected security interest in all Receivables remaining in the Trust subsequent to such Reassignment, to leave in the Trust all of the Trust's right, title and interest in, to and under the Receivables then existing, together with all monies due or to become due and all amounts received with respect thereto and all proceeds thereof in or with respect to the Removed Accounts and cease, from and after the applicable Removal Date, to transfer, assign, setover or otherwise convey to the Trust the Receivables thereafter created and arising in connection with the Removed Accounts, all monies due or to become due and all amounts received with respect thereto and all proceeds thereof in or with respect to the Removed Accounts, in which case the Reassignment shall be modified accordingly.

[End of Article II]

ARTICLE III

ADMINISTRATION AND SERVICING OF RECEIVABLES

Section 3.1 ACCEPTANCE OF APPOINTMENT AND OTHER MATTERS RELATING TO THE SERVICER.

(a) FDSNB agrees to act as the Servicer under this Agreement. The Investor Certificateholders of each Series by their acceptance of the related Certificates consent to FDSNB acting as Servicer. Notwithstanding the foregoing or any other provisions of this Agreement or any Supplement, the Investor Certificateholders consent to an Affiliate of FDSNB acting as Servicer hereunder, in full substitution thereof; PROVIDED, HOWEVER, that such Affiliate shall expressly assume, by an agreement supplemental hereto, executed and delivered to the Trustee, the

performance of every covenant and obligation of the Servicer, as applicable hereunder, and shall in all respects be designated the Servicer under this Agreement; PROVIDED, FURTHER, that FDSNB will remain jointly and severally liable with such Affiliate.

(b) The Servicer shall service and administer the Receivables and shall collect payments due under the Receivables in accordance with its customary and usual servicing procedures and the Credit and Collection Policies and shall have full power and authority, acting alone or through any party properly designated by it hereunder, to do any and all things in connection with such servicing and administration which it may deem necessary or desirable. Without limiting the generality of the foregoing and subject to Section 10.1, the Servicer is hereby authorized and empowered (i) to make withdrawals from the Collection Account as set forth in this Agreement, (ii) unless such power and authority is revoked by the Trustee on account of the occurrence of a Servicer Default pursuant to Section 10.1, to instruct the Trustee to make withdrawals and payments, from the Interest Funding Account, the Excess Funding Account, the Principal Account and any Series Account, in accordance with such instructions as set forth in this Agreement, (iii) unless such power and authority is revoked by the Trustee on account of the occurrence of a Servicer Default pursuant to Section 10.1, to instruct the Trustee in writing to take any action permitted or required under any Enhancement at such time as set forth in this Agreement and any Supplement, (iv) to execute and deliver, on behalf of the Trust for the benefit of the Certificateholders, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Receivables and, after the delinquency of any Receivable and to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect to such Receivables, (v) to make any filings, reports,

notices, applications, registrations with, and to seek any consents or authorizations from, the Securities and Exchange Commission and any state securities authority on behalf of the Trust as may be necessary or advisable to comply with any federal or state securities or reporting requirements and (vi) to delegate certain of its service, collection, enforcement and administrative duties hereunder with respect to the

Accounts and the Receivables to any Person who agrees to conduct such duties in accordance with the Credit and Collection Policies; PROVIDED, HOWEVER, that the Servicer shall notify the Trustee in writing of any material delegation. The Trustee agrees that it shall promptly follow the instructions of the Servicer to withdraw funds from the Principal Account, the Interest Funding Account, the Excess Funding Account, or any Series Account and to take any action required under any Enhancement at such time as required under this Agreement. The Trustee shall execute at the Servicer's written request such documents prepared by the Transferor and acceptable to the Trustee as the Servicer certifies are necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder.

(c) In the event that the Transferor is unable for any reason to transfer Receivables to the Trust in accordance with the provisions of this Agreement (including, without limitation, by reason of the application of the provisions of Section 9.2 or the order of any court of competent jurisdiction that the Transferor not transfer any additional Principal Receivables to the Trust) then, in any such event, (A) the Servicer agrees to allocate, after such date, all Collections with respect to Principal Receivables, and all amounts which would have constituted Collections with respect to Principal Receivables but for the Transferor's inability to transfer such Receivables in accordance with subsection 2.5(d); (B) the Servicer agrees to apply such amounts as Collections in accordance with Article IV and (C) for only so long as all Collections and all amounts which would have constituted Collections are allocated and applied in accordance with clauses (A) and (B) above, Principal Receivables and all amounts which would have constituted Principal Receivables but for the Transferor's inability to transfer Receivables to the Trust that are written off as uncollectible in accordance with this Agreement shall continue to be allocated in accordance with Article IV and all amounts which would have constituted Principal Receivables but for the Transferor's inability to transfer Receivables to the Trust shall be deemed to be Principal Receivables for the purpose of calculating the applicable Investor Percentage thereunder. If the Servicer is unable pursuant to any Requirement of Law to allocate payments on the Accounts as described above, the Servicer agrees that it shall in any such event allocate,

after the occurrence of such event, payments on each Account with respect to the principal balance of such Account first to the oldest principal balance of such Account and to have such payments applied as Collections in accordance with Article IV.

(d) The Servicer shall not be obligated to use separate servicing procedures, offices or employees for servicing the Receivables from the procedures, offices and employees used by the Servicer in connection with servicing other credit card receivables.

Section 3.2 SERVICING COMPENSATION. As compensation for its servicing activities hereunder and reimbursement for its expenses as set forth in the immediately following paragraph, the Servicer shall be entitled to receive a servicing fee in respect of each day prior to the termination of the Trust pursuant to Section 12.1 (the "SERVICING FEE"), payable in arrears on each date and in the manner specified in the applicable Supplement, equal to the product of (i) a fraction, the numerator of which is the actual number of days in the measuring period specified in the applicable Supplement and the denominator of which is the actual number of days in the year, (ii) the weighted average Series Servicing Fee Percentage for all outstanding Series (based upon the Series Servicing Fee Percentage for each Series and the Invested Amount of such Series) and (iii) the daily average aggregate balance of all Principal Receivables over the term of such measuring period. The share of the Servicing Fee allocable to each Series with respect to any date of payment shall be equal

to the product of (i) a fraction, the numerator of which is the actual number of days in the measuring period specified in the applicable Supplement and the denominator of which is the actual number of days in the year, (ii) the applicable Series Servicing Fee Percentage for such Series and (iii) the Adjusted Invested Amount of such Series, as appropriate, as of the date of determination for such payment as specified in the applicable Supplement. The remainder of the Servicing Fee shall be paid by the Transferor, or retained by the Servicer as provided in Article IV, and in no event shall the Trust, the Trustee, any Enhancement Provider, or the Investor Certificateholders be liable for the share of the Servicing Fee to be paid by the Transferor.

The Servicer shall be responsible for its own expenses, which shall include the amounts due to the Trustee pursuant to Section 11.4 and the reasonable fees and disbursements of independent public accountants and all other expenses incurred by the Servicer in connection with its activities hereunder; PROVIDED, that the Servicer shall not be liable for any liabilities, costs or expenses of the Trust, the Investor Certificateholders or the Certificate Owners arising under any tax law, including without limitation any federal, state or local income or franchise taxes or any other tax imposed on or measured by income (or any interest, penalties or additions with respect thereto or arising from a failure to comply therewith). In the event that the Servicer fails to pay any amounts due to the Trustee pursuant to Section 11.4, the Trustee shall be entitled to deduct and receive such amounts from the Servicing Fee prior to the payment thereof to the Servicer and the obligations of the Trust to pay any such amounts shall thereby be fully satisfied. The Servicer shall be required to pay such expenses for its own account and shall not be entitled to any payment therefor other than the Servicing Fee.

Section 3.3 REPRESENTATIONS AND WARRANTIES OF THE SERVICER. FDSNB, as initial Servicer, hereby makes, and any Successor Servicer by its appointment hereunder shall make, the following representations and warranties on which the Trustee has relied in accepting the Receivables in trust and in authenticating the Certificates issued on the Initial Closing Date:

(a) ORGANIZATION AND GOOD STANDING. The Servicer is either (i) a national banking association duly organized, validly existing and in good standing under the laws of the United States or (ii) a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has the corporate power, authority and legal right to own its properties and conduct its business as such properties are presently owned and such business is presently conducted, and to execute, deliver and perform its obligations under this Agreement and any Supplement.

(b) DUE QUALIFICATION. The Servicer is duly qualified to do business and is in good standing (or is exempt from such requirements) as a foreign corporation in any state where such qualification is necessary in

order to service the Receivables as required by this Agreement and any Supplement and has obtained all necessary licenses and approvals as required under federal and state law in order to service the Receivables as required by this Agreement, and if the Servicer shall be required by any Requirement of Law to so qualify or register or obtain such license or approval, then it shall do so except where the failure to obtain such license or approval does not materially affect the Servicer's ability to perform its obligations hereunder or the enforceability of the Receivables.

(c) DUE AUTHORIZATION. The execution, delivery, and performance of this Agreement and any Supplement have been duly authorized by the Servicer by all necessary corporate action on the part of the Servicer and this Agreement and any Supplement will remain, from the time of its execution, an official record of the Servicer.

(d) BINDING OBLIGATION. This Agreement and any Supplement constitutes a legal, valid and binding obligation of the Servicer, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar

laws now or hereafter in effect, affecting the enforcement of creditors' rights in general and as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(e) NO VIOLATION. The execution and delivery of this Agreement and any Supplement by the Servicer, and the performance of the transactions contemplated by this Agreement and any Supplement and the fulfillment of the terms hereof applicable to the Servicer, will not conflict with, violate, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, any Requirement of Law applicable to the Servicer or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Servicer is a party or by which it is bound.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the knowledge of the Servicer, threatened against the Servicer before any

court, regulatory body, administrative agency or other tribunal or governmental instrumentality seeking to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by this Agreement, seeking any determination or ruling that, in the reasonable judgment of the Servicer, would materially and adversely affect the performance by the Servicer of its obligations under this Agreement or any Supplement, or seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement or any Supplement.

(g) COMPLIANCE WITH REQUIREMENTS OF LAW. The Servicer shall duly satisfy all obligations on its part to be fulfilled under or in connection with each Receivable and the related Account, will maintain in effect all qualifications required under Requirements of Law in order to service properly each Receivable and the related Account and will comply in all material respects with all other Requirements of Law in connection with servicing each Receivable and the related Account the failure to comply with which would have a material adverse effect on the Certificateholders or any Enhancement Provider.

(h) PROTECTION OF CERTIFICATEHOLDERS' RIGHTS. The Servicer shall take no action which, nor omit to take any action the omission of which, would impair the rights of Certificateholders in any Receivable or the related Account or the rights of any Enhancement Provider, nor shall it reschedule, revise or defer payments due on any Receivable except in accordance with the Credit and Collection Policies.

(i) ALL CONSENTS. All authorizations, consents, order or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Servicer in connection with the execution and delivery of this Agreement by the Servicer and the performance of the transactions contemplated by this Agreement by the Servicer, have been duly obtained, effected or given and are in full force and effect; PROVIDED, HOWEVER, that the Servicer makes no representation or warranty regarding State securities or "Blue Sky" laws in connection with the distribution of the Certificates.

(j) RESCISSION OR CANCELLATION. The Servicer shall not permit any rescission or cancellation of any Receivable except as ordered by a court of competent jurisdiction or other Governmental Authority or in accordance with the normal operating procedures of the Servicer.

(k) RECEIVABLES NOT TO BE EVIDENCED BY PROMISSORY NOTES. Except in connection with its enforcement or collection of an Account (in which case any such promissory note would be made in the name of the Trust on behalf of the Certificateholders), the Servicer will take no action to cause any Receivable to be evidenced by an instrument (as defined in the UCC as in effect in the Relevant UCC State).

(l) PRINCIPAL PLACE OF BUSINESS. The Servicer shall at all times maintain its principal executive offices within the United States.

Section 3.4 REPORTS AND RECORDS FOR THE TRUSTEE.

(a) DAILY RECORDS. Upon reasonable prior notice by the Trustee, the Servicer shall make available at an office of the Servicer (or other location designated by the Servicer if such records are not accessible by the Servicer at an office of the Servicer) selected by the Servicer for inspection by the Trustee or its agent (reasonably acceptable to the Servicer) on a Business Day during the Servicer's normal business hours a record setting forth (i) the Collections on each Receivable and (ii) the amount of Receivables for the Business Day preceding the date of the inspection. The Servicer shall, at all times, maintain its computer files with respect to the Receivables in such a manner so that the Receivables may be specifically identified and, upon reasonable prior request of the Trustee, shall make available to the Trustee, at an office of the Servicer (or other location designated by the Servicer if such computer files are not located at an office of the Servicer) selected by the Servicer, on any Business Day of the Servicer during the Servicer's normal business hours any computer programs necessary to make such identification.

(b) DAILY REPORT.

(i) On each Business Day the Servicer shall prepare a completed Daily Report.

(ii) The Servicer shall deliver to the Trustee (with copies to the Depositary and the Collateral Agent if either of such Persons is not also the Trustee) the Daily Report by 2:30 p.m. (New York City time) on each Business Day with respect to activity in the Receivables for such Business Day (or, in the case of a Daily Report delivered on the Business Day following a Saturday, Sunday or other non-Business Day, the aggregate activity for such Business Day and such preceding non-Business Days).

(iii) Upon discovery of any error or receipt of notice of any error in any Daily Report, the Servicer, the Transferor and the Trustee shall arrange to confer and shall agree upon any adjustments necessary to correct any such errors. If any such error is materially adverse to the interests of the Certificateholders or the Certificate Owners, the Servicer or the Trustee, as the case may be, shall retain all Collections which would otherwise be paid from the Trust (or such lesser amount as the Trustee and the Servicer shall agree to be necessary to cover any such error) in the Collection Account until such material error is corrected. Unless the Trustee has received written notice of any error or discrepancy, the Trustee may rely on each Daily Report delivered to it for all purposes hereunder.

(c) SETTLEMENT STATEMENT. On each Determination Date, the Servicer shall, prior to 3:00 p.m. (New York City time) on such day, deliver to the Trustee the Settlement Statement for the related Monthly Period substantially in the form of Exhibit D hereto, including the following information (which, in the case of clauses (iii), (iv) and (v) below, will be stated on the basis of an original principal amount of $1,000 per Certificate): (i) the aggregate amount of Collections received in the Collection Account for the Monthly Period preceding such Determination Date and the aggregate amount of Finance Charge Collections and the aggregate amount of Principal Collections processed during such Monthly Period; (ii) the aggregate amount of the applicable Investor Percentage of Collections of Principal Receivables on the last day of the preceding Monthly Period of each Series of

Certificates and the aggregate amount of the applicable Investor Percentage of Collections on the last day of the preceding Monthly Period of each Series of Certificates with respect to Finance Charge Collections and Receivables in Defaulted Accounts; (iii) for each Series and for each Class within any such

Series, the total amount to be distributed to Investor Certificateholders for the Monthly Period immediately preceding such Determination Date; (iv) for each Series and for each Class within any such Series, the amount of such distribution allocable to principal; (v) for each Series and for each Class within any such Series, the amount of such distribution allocable to interest; (vi) for each Series and each Class within a Series, the Investor Default Amount for the immediately preceding Monthly Period; (vii) for each Series and each Class within a Series, the amount of the Investor Charge-Offs and the amount of the reimbursements of Investor Charge-Offs for the Monthly Period immediately preceding such Determination Date; (viii) for each Series, the Servicing Fee for the Monthly Period immediately preceding such Determination Date; (ix) for each Series, the existing deficit controlled amortization amount, if applicable; (x) the aggregate amount of Receivables in the Trust at the close of business on the last day of the Monthly Period preceding such Determination Date; (xi) for each Series, the Invested Amount at the close of business on the last day of the Monthly Period immediately preceding such Determination Date; (xii) the available amount of any Enhancement for each Class of each Series, if any; (xiii) for each Series and each Class within a Series, the Pool Factor as of the end of the related Monthly Period; (xiv) the Yield Factor and Finance Charge Receivable Factor applicable with respect to the related Monthly Period and (xv) whether a Pay Out Event with respect to any Series shall have occurred during or with respect to the related Monthly Period.

(d) The Trustee shall be under no duty to recalculate, verify or recompute the information supplied to it under this Section 3.4 or such other matters as are set forth in any Daily Report or Settlement Statement.

Section 3.5 ANNUAL SERVICER'S CERTIFICATE. The Servicer will deliver, as provided in Section 13.5, to the Trustee, any Enhancement Provider and each Rating Agency on or before sixty days following the end of the Transferor Fiscal Year, beginning with March 31, 1998, an

Officer's Certificate substantially in the form of Exhibit E stating that (a) a review of the activities of the Servicer during the twelve-month period (which shall be the period from the first day of the preceding Transferor Fiscal Year to and including the last day of such Transferor Fiscal Year) and of its performance under this Agreement was made under the supervision of the officer signing such certificate and (b) to such officer's knowledge, based on such review, the Servicer has fully performed all its obligations under this Agreement throughout such period, or, if there has been a default in the performance of any such obligation, specifying each such default known to such officer and the nature and status thereof. A copy of such certificate may be obtained by any Investor Certificateholder by a request in writing to the Trustee addressed to the Corporate Trust Office.

Section 3.6 ANNUAL INDEPENDENT ACCOUNTANTS' SERVICING REPORT.

(a) On or before the 120th day following the end of the second quarter of the Transferor Fiscal Year, beginning with November 28, 1997, the Servicer shall cause a firm of nationally recognized independent public accountants (who may also render other services to the Servicer or the Transferor) to furnish a report to the Trustee, any Enhancement Provider and each Rating Agency, to the effect that such firm has made a study and evaluation in accordance with generally accepted auditing standards of the Servicer's assertion regarding the effectiveness of the internal control structure relative to the servicing of Accounts under this Agreement, and that, on the basis of such examination, such firm is of the opinion (assuming the accuracy of any reports generated by the Servicer's third party agents) that the Servicer's assertion regarding the effectiveness of the internal control structure in effect on the last day of the second quarter of the Transferor Fiscal Year relating to servicing procedures performed by the Servicer, is fairly stated. A copy of such report will be sent to each Investor Certificateholder by the Servicer.

(b) On or before the 90th day following the end of the Transferor Fiscal Year of each calendar year, beginning with May 1, 1998, the Servicer shall cause a firm of nationally recognized independent certified public accountants (who may also render other services to

the Servicer or the Transferor) to furnish a report to the Trustee, any Enhancement Provider and each Rating Agency to the effect that they have performed the procedures enumerated below, which were agreed to by the Servicer, solely to assist the Servicer in evaluating the accuracy of the monthly certificates forwarded by the Servicer pursuant to subsection 3.4(c) during the period covered by such report (which shall be the prior Transferor Fiscal Year, or for the initial period, from the Closing Date until January 31, 1998). These procedures, the sufficiency of which is solely the responsibility of the Servicer, shall include recalculating the mathematical calculations set forth in four of the monthly certificates and agreeing the amounts used in the mathematical calculations with the Transferor's computer reports which were the source of such amounts. Any findings and exceptions noted, except for such exceptions believed to be immaterial, as a result of the performance of these procedures shall be set forth in such report. A copy of such report may be obtained by any Investor Certificateholder by a request in writing to the Trustee addressed to the Corporate Trust Office.

Section 3.7 TAX TREATMENT. The Transferor has structured this Agreement and the Investor Certificates with the intention that the Investor Certificates will qualify under applicable federal, state, local and foreign tax law as indebtedness. Except to the extent expressly specified to the contrary in any Supplement, the Transferor, the Servicer, the Holder of the Exchangeable Transferor Certificate, each Investor Certificateholder, Holder of a Variable Funding Certificate, and each Certificate Owner agree to treat and to take no action inconsistent with the treatment of the Investor Certificates (or beneficial interest therein) as indebtedness for purposes of federal, state, local and foreign income or franchise taxes and any other tax imposed on or measured by income. Each Investor Certificateholder, each Holder of a Variable Funding Certificate and the Holder of the Exchangeable Transferor Certificate, by acceptance of its Certificate and each Certificate Owner, by acquisition of a beneficial interest in a Certificate, agree to be bound by the provisions of this Section 3.7. Each Certificateholder agrees that it will cause any Certificate Owner acquiring an interest in a Certificate through it to comply with this Agreement as to treatment as indebtedness under applicable tax law, as described in

this Section 3.7. Furthermore, subject to Section 11.10, the Trustee shall treat the Trust as a security device only, and shall not file tax returns or obtain an employer identification number on behalf of the Trust.

Section 3.8 ADJUSTMENTS. (a) If the Servicer adjusts downward the amount of any Receivable because of a rebate, refund, unauthorized charge or billing error to an Obligor, because such Receivable was created in respect of merchandise which was refused or returned by an Obligor, or if the Servicer otherwise adjusts downward the amount of any Receivable without receiving Collections therefor or without charging off such amount as uncollectible, then, in any such case, the aggregate amount of the Principal Receivables will be reduced by the product of one MINUS the Finance Charge Receivable Factor and the amount of such adjustment. Similarly, the aggregate amount of the Principal Receivables used to calculate the Transferor Amount and the applicable Investor Percentages applicable to any Series will be reduced by the product of one MINUS the Finance Charge Receivable Factor and the amount of any Receivable which was discovered as having been created through a fraudulent or counterfeit charge or with respect to which the covenant contained in subsection 2.5(b) was breached. Any adjustment required pursuant to either of the two preceding sentences shall be made as promptly as practicable but in no event later than the end of the Monthly Period in which such adjustment obligation arises. In the event that, following any such adjustment, the Transferor Amount (less the portion thereof represented by any Supplemental Certificate) would be less than the Minimum Transferor Amount, within two Business Days of the date on which such adjustment obligation arises, the Transferor shall pay to the Servicer, for deposit into the Excess Funding Account, in immediately available funds an amount equal to the amount by which the Transferor Amount would be reduced below the Minimum Transferor Amount as a result of such adjustment. Any amount deposited into the Excess Funding Account in connection with the adjustment of a Receivable (an "Adjustment Payment") shall be considered Principal Collections and shall be applied in accordance with Article IV and the terms of each Supplement; PROVIDED, HOWEVER, that any amounts paid by the Transferor pursuant to the

preceding sentence after the time period specified therein, to the extent of any related Uncovered Dilution Amount, shall not be deposited

into the Excess Funding Account, but shall be considered Finance Charge Collections and shall be applied in accordance with Article IV and the terms of each Supplement.

(b) If (i) the Servicer makes a deposit into the Collection Account in respect of a Collection of a Receivable and such deposit was in the form of a check which is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account (or shall be entitled to receive a refund from the Collection Account in the case of an excess deposit) to reflect such dishonored check or mistake. Any Receivable in respect of which a dishonored check is received shall be deemed not to have been paid. Notwithstanding the first two sentences of this paragraph, any adjustments made pursuant to this paragraph will be reflected in a current report but will not change any amount of Collections previously reported pursuant to subsection 3.4(b).

Section 3.9 NOTICES TO FDSNB. In the event that FDSNB or any Affiliate thereof is no longer acting as Servicer, any Successor Servicer appointed pursuant to Section 10.2 shall deliver or make available to FDSNB each certificate and report required to be prepared, forwarded or delivered thereafter pursuant to Sections 3.4, 3.5 and 3.6.

[End of Article III]

ARTICLE IV

RIGHTS OF CERTIFICATEHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

Section 4.1 RIGHTS OF CERTIFICATEHOLDERS. Each Series of Investor Certificates shall represent Undivided Interests in the Trust, including the benefits of any Enhancement issued with respect to such Series and the right to receive the Collections and other amounts at the times and in the amounts specified in this Article IV and the related Supplement to be deposited in the Investor Accounts or to be paid to the Investor Certificate-

holders of such Series; PROVIDED, HOWEVER, that the aggregate interest represented by such Certificates at any time in the Principal Receivables shall not exceed an amount equal to the Invested Amount of such Certificates. The Exchangeable Transferor Certificate shall represent the remaining undivided interest in the Trust (the "Transferor Interest"), including the right to receive the Collections and other amounts with respect to each series at the times and in the amounts specified in this Article IV, as amended by each Supplement, to be paid to the Holder of the Exchangeable Transferor Certificate; PROVIDED, HOWEVER, that the aggregate interest represented by such Certificate at any time in the Principal Receivables shall not exceed the Transferor Amount at such time and such Certificate shall not represent any interest in the Investor Accounts, except as provided in this Agreement and the Supplements, or the benefits of any Enhancement issued with respect to any Series.

Section 4.2 ESTABLISHMENT OF ACCOUNTS.

(a) THE COLLECTION ACCOUNT. The Servicer, for the benefit of the Certificateholders, shall establish in the name of the Trustee, on behalf of the Trust, a non-interest-bearing segregated account (the "Collection Account") bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Certificateholders, and shall cause such Collection Account to be established and maintained with a Qualified Institution; PROVIDED, HOWEVER, that such account need not be maintained as a segregated trust account with a Qualified Institution if at all times the certificates of deposit, short-term deposits or commercial paper or the long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or

trust company) of the depositary institution or trust company maintaining such account shall have a credit rating from Moody's and Standard & Poor's of at least P-1 and A-1, respectively, in the case of the certificates of deposit, short-term deposits or commercial paper, or a rating from Moody's and Standard & Poor's of Aa3 and AA, respectively, in the case of the long-term unsecured debt obligations. If, at any time, the institution holding the Collection Account ceases to be a Qualified Institution, the Transferor shall direct the Servicer to establish within ten Business Days a new Col-

lection Account with a Qualified Institution, transfer any cash and/or any investments to such new Collection Account and from the date such new Collection Account is established, it shall be the "Collection Account." The Servicer shall give written notice to the Trustee of the location and account number of the Collection Account and shall notify the Trustee in writing prior to any subsequent change thereof. Pursuant to authority granted to it pursuant to subsection 3.1(b), the Servicer shall have the revocable power to withdraw funds from the Collection Account for the purposes of carrying out its duties hereunder.

The Collection Account shall be under the sole dominion and control of the Trustee and the Trustee shall possess all right, title and interest in all funds from time to time on deposit in such account.

(b) THE INTEREST FUNDING AND PRINCIPAL ACCOUNTS. The Trustee, for the benefit of the Investor Certificateholders, shall establish and maintain with a Qualified Institution in the name of the Trust two segregated trust accounts for each Series (an "Interest Funding Account" and a "Principal Account," respectively), each bearing a designation clearly indicating that the funds therein are held for the benefit of the Investor Certificateholders of such Series. Except as provided in subsection 4.2(e), each Interest Funding Account and each Principal Account shall be under the sole dominion and control of the Trustee for the benefit of the Investor Certificateholders. Pursuant to authority granted to it hereunder, the Servicer shall have the revocable power to instruct the Trustee to withdraw funds from the Interest Funding Account and any Principal Account for any purpose of carrying out the Servicer's or the Trustee's duties hereunder. The Trustee at all times shall maintain accurate records reflecting each transaction in each Principal Account and each Interest Funding Account and that funds held therein shall at all times be held in trust for the benefit of the Investor Certificateholders of such Series. If, at any time, the institution holding the Interest Funding Account ceases to be a Qualified Institution, the Servicer shall direct the Trustee to establish within ten Business Days a new Interest Funding Account meeting the conditions specified above with a Qualified Institution, transfer any cash and/or any investments to such new Interest Funding Account and from

the date such new Interest Funding Account is established, it shall be the "Interest Funding Account." Similarly, if, at any time, the institution holding any Principal Account ceases to be a Qualified Institution, the Servicer shall direct the Trustee to establish within ten Business Days a new Principal Account meeting the conditions specified above with a Qualified Institution, transfer any cash and/or any investments to such new Principal Account and from the date such new Principal Account is established, it shall be a "Principal Account."

(c) DISTRIBUTION ACCOUNTS. The Trustee, for the benefit of the Investor Certificateholders of each Series, shall cause to be established and maintained in the name of the Trust, with an office or branch of a Qualified Institution a non-interest-bearing segregated demand deposit account for each Series (a "Distribution Account") bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Investor Certificateholders of such Series. Each Distribution Account shall be under the sole dominion and control of the Trustee for the benefit of the Investor Certificateholders of the related Series. Pursuant to the authority granted to the Paying Agent herein, the Paying Agent shall have the power, revocable by the Trustee, to make withdrawals and payments from the Distribution Account for the purpose of carrying out the Paying Agent's duties hereunder. If, at any time, the institution holding a Distribution Account ceases to be a Qualified

Institution, the Servicer shall direct the Trustee to establish within ten Business Days a new Distribution Account meeting the conditions specified above with a Qualified Institution, transfer any cash and/or any investments to such new Distribution Account and from the date such new Distribution Account is established, it shall be a "Distribution Account."

(d) THE EXCESS FUNDING ACCOUNT. The Trustee, for the benefit of the Certificateholders, shall cause to be established in the name of the Trustee, on behalf of the Certificateholders, with a Qualified Institution, a segregated trust account (the "Excess Funding Account") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Certificateholders. Except as provided in subsection 4.3(f), the Excess Funding Account shall, except as otherwise

provided herein, be under the sole dominion and control of the Trustee for the benefit of the Certificateholders. Pursuant to the authority granted to the Servicer herein, the Servicer shall have the power, revocable by the Trustee, to make withdrawals and payments from the Excess Funding Account for the purpose of carrying out the Servicer's or Trustee's duties hereunder. If, at any time, the institution holding the Excess Funding Account ceases to be a Qualified Institution, the Servicer shall direct the Trustee to establish within ten Business Days a new Excess Funding Account meeting the conditions specified above with a Qualified Institution, transfer any cash and/or any investments to such new Excess Funding Account and from the date such new Excess Funding Account is established, it shall be the "Excess Funding Account."

(e) ADMINISTRATION OF THE PRINCIPAL ACCOUNTS AND THE INTEREST FUNDING ACCOUNTS. Funds on deposit in each Principal Account and each Interest Funding Account shall at all times be invested by the Servicer (or, at the written direction of the Transferor, by the Trustee) on behalf of the Transferor in Cash Equivalents. Any such investment shall mature and such funds shall be available for withdrawal on or before the Transfer Date following the Monthly Period in which such funds were processed for collection. The Trustee shall maintain for the benefit of the Investor Certificateholders possession of the negotiable instruments or securities evidencing the Cash Equivalents described in clause (a) of the definition thereof from the time of purchase thereof until the time of sale or maturity. No such investments shall be liquidated prior to maturity. At the end of each month, all interest and earnings (net of losses and investment expenses) on funds on deposit in each Principal Account and each Interest Funding Account (unless otherwise specified in the applicable Supplement) shall be deposited by the Trustee, at the written direction of the Servicer, in a separate deposit account with a Qualified Institution in the name of the Servicer, or a Person designated in writing by the Servicer, which shall not constitute a part of the Trust, or shall otherwise be turned over by the Trustee to the Servicer, in accordance with instructions from the Servicer to the Trustee, not less frequently than monthly. Subject to the restrictions set forth above, the Servicer, or a Person designated in writing by the Servicer, of which the Trustee

shall have received written notification, shall have the authority to instruct the Trustee with respect to the investment of funds on deposit in any Principal Account and any Interest Funding Account. Any investment instructions to the Trustee shall be in writing and shall include a certification that the proposed investment is a Cash Equivalent that matures at or prior to the time required by this Agreement. For purposes of determining the availability of funds or the balances in any Interest Funding Account and any Principal Account for any reason under this Agreement, all investment earnings on such funds shall be deemed not to be available or on deposit.

(f) ADDITIONAL PROCEDURES RELATING TO ESTABLISHMENT OF ACCOUNTS. Each Series Account and the Excess Funding Account shall be established at a Qualified Institution which agrees in writing as follows: (i) all money, securities, instruments and other property credited to any such account shall be treated as "financial assets" within the meaning of Section 8-102(a)(9) of the 1994 Official Text of the Uniform Commercial Code and (ii)

such Qualified Institution will comply with "entitlement orders" (within the meaning of Section 8-102(a)(8) of the 1994 Official Text of the Uniform Commercial Code) issued by the Trustee and relating to such account without further consent by the Transferor or any other Person.

Section 4.3 COLLECTIONS AND ALLOCATIONS.

(a) COLLECTIONS. Obligors shall make payments on the Receivables (i) to Lock-Box Accounts maintained by Lock-Box Banks pursuant to Lock-Box Agreements or (ii) to the Servicer who shall deposit all such payments in such Lock-Box Accounts no later than the second Business Day following receipt or (iii) as In-Store Payments. All Collections on Receivables of amounts due and owing to the Trustee represented by the Receivables deposited in the Lock-Box Accounts will, pending remittance to the Collection Account, be held for the benefit of the Trust and shall be deposited into the Collection Account as promptly as possible after the Date of Processing of such Collections. In-Store Payments shall be deposited in the Collection Account as promptly as possible after the Date of Processing of such Collections, but in no event later than the second Business Day following such Date of Processing.

The Servicer shall allocate such amounts to each Series of Investor Certificates and to the Holder of the Exchangeable Transferor Certificate in accordance with this Article IV and the related Supplement and shall cause the Trustee to withdraw the required amounts from the Collection Account or pay such amounts to the Holder of the Exchangeable Transferor Certificate in accordance with this Article IV and the related Supplement. The Servicer shall make such deposits or payments on the date indicated herein by wire transfer or as otherwise provided in the Supplement for any Series of Certificates with respect to such Series.

Notwithstanding anything in this Agreement to the contrary, but subject to the terms of any Supplement, for so long as, and only so long as, FDSNB shall remain the Servicer hereunder, and (a) (i) FDSNB or an Affiliate of FDSNB provides to the Trustee a letter of credit or other form of Enhancement rated at least A-1 by Standard & Poor's and P-1 by Moody's (as certified to the Trustee by the Servicer), and (ii) after notifying each Rating Agency of the proposed use of such letter of credit or other form of Enhancement, the Transferor shall have received a notice from each Rating Agency that making payments monthly rather than daily would not result in a downgrading or withdrawal of any of such Rating Agency's then-existing ratings of the Investor Certificates, or (b) Federated shall have and maintain a short-term credit rating of at least A-1 by Standard & Poor's and P-1 by Moody's (as certified to the Trustee by the Servicer), the Servicer need not deposit Collections from the Collection Account into the Principal Account or the Interest Funding Account or any Series Account, or make payments to the Holder of the Exchangeable Transferor Certificate, prior to the close of business on the day any Collections are deposited in the Collection Account as otherwise provided in this Article IV and the related Supplement, but may instead make such deposits, payments and withdrawals on each Transfer Date in an amount equal to the net amount of such deposits, payments and withdrawals which would have been made but for the provisions of this paragraph.

(b) ALLOCATIONS FOR THE EXCHANGEABLE TRANSFEROR CERTIFICATE. Throughout the existence of the Trust, unless otherwise stated in any Supplement, on each Business Day the Servicer shall allocate to the Holder of the

Exchangeable Transferor Certificate an amount equal to the product of (A) the Transferor Percentage and (B) the aggregate amount of Principal Collections and Finance Charge Collections in the Collection Account. Except as otherwise provided in any Supplement, the Servicer shall pay such amount to the Holder of the Exchangeable Transferor Certificate on each Business Day; PROVIDED, HOWEVER, that amounts payable to the Holder of the Exchangeable Transferor Certificate pursuant to this clause (b) shall instead be deposited in the Excess Funding Account to the extent necessary to prevent the Transferor Amount from being less than the Minimum Transferor Amount.

(c) ALLOCATIONS OF COLLECTIONS BETWEEN FINANCE CHARGE COLLECTIONS AND PRINCIPAL COLLECTIONS. On each Business Day for all purposes of this Agreement and each Supplement, the Servicer shall allocate all Collections received for any period between Finance Charge Collections and Principal Collections. Such Collections shall be allocated such that the sum of (i) the product of (x) such Collections received with respect to such Business Day MINUS the sum of Recoveries and Interchange on such Business Day and (y) the Yield Factor in effect with respect to such Business Day and (ii) any investment earnings with respect to amounts on deposit in the Excess Funding Account on such Business Day and (iii) the sum of Recoveries and Interchange on such Business Day shall be considered Finance Charge Collections and the remainder of such Collections shall be considered Principal Collections.

(d) ALLOCATION FOR SERIES. On each Business Day, (i) the amount of Finance Charge Collections available in the Collection Account allocable to each Series shall be determined by multiplying the aggregate amount of such Finance Charge Collections by the applicable Investor Percentage for Finance Charge Collections for such Series, (ii) the amount of Principal Collections available in the Collection Account allocable to each Series shall be determined by multiplying the aggregate amount of such Principal Collections by the applicable Investor Percentage for Principal Collections for such Series and (iii) the Receivables in Defaulted Accounts allocable to each Series shall be determined by multiplying the aggregate amount of such Receivables in Defaulted Accounts by the applicable Investor Percentage for Receivables in Defaulted Accounts for such Series. The

Servicer shall, prior to the close of business on the day any Collections are deposited in the Collection Account, withdraw the required amounts from the Collection Account and deposit such amounts into the applicable Principal Account, the applicable Interest Funding Account, the Excess Funding Account, or any Series Account or pay such amounts to the Holder of the Exchangeable Transferor Certificate in accordance with the provisions of this Article IV and the Supplements.

(e) UNALLOCATED PRINCIPAL COLLECTIONS; EXCESS FUNDING ACCOUNT. On each Business Day, Shared Principal Collections shall be allocated to each outstanding Series PRO RATA based on the Principal Shortfall, if any, for each such Series, and then, at the option of the Transferor, any remainder may be applied as principal with respect to the Variable Funding Certificates. The Servicer shall pay any remaining Shared Principal Collections on such Business Day to the Transferor; PROVIDED, that if the Transferor Amount as determined on such Business Day does not exceed the Minimum Transferor Amount, then such remaining Shared Principal Collections shall be deposited in the Excess Funding Account to the extent necessary to cause the Transferor Amount to be at least equal to the Minimum Transferor Amount; PROVIDED, FURTHER, that if an Amortization Period has commenced and is continuing with respect to more than one outstanding Series, such remaining Shared Principal Collections shall be allocated to such Series pro rata based on the Investor Percentage for Principal Receivables applicable for such Series.

(f) EXCESS FUNDING ACCOUNT. Amounts on deposit in the Excess Funding Account on any Business Day will be invested by the Servicer (or, at the direction of the Transferor, by the Trustee) on behalf of the Transferor in Cash Equivalents which shall mature and be available on or before the next Business Day on which amounts may be released from the Excess Funding Account. Earnings from such investments received shall be deposited in the Collection Account and treated as Finance Charge Collections. Any investment instructions to the Trustee shall be in writing and shall include a certification that the proposed investment is a Cash Equivalent that matures on or prior to the date required by this Agreement. If on any Business Day the Transferor Amount is greater than the Minimum Transferor Amount, amounts on deposit in the Excess Funding Account may, at the option of the Trans-

feror, be released to the Holder of the Exchangeable Transferor Certificate.

On the first Business Day of the Amortization Period for any Series, funds on deposit in the Excess Funding Account will be deposited by the

Servicer, or by the Trustee at the written direction of the Servicer, in the Principal Account for the benefit of such Series to the extent of the lesser of (x) the Invested Amount of such Series and (y) the product of (i) the product of (A) 100% minus the Transferor Percentage and (B) the amount on deposit in the Excess Funding Account at the beginning of such Amortization Period and (ii) the Excess Funding Account Percentage for such Series. Any funds in the Excess Funding Account on any subsequent day will be allocated to Investor Certificates of each Series in an Amortization Period to the extent that Default Amounts allocated to the Transferor Interest or adjustments as described in Section 3.8 would cause the Transferor Amount to be less than the Minimum Transferor Amount and, with respect to any credit adjustment, the Transferor has not made an Adjustment Payment to the Excess Funding Account, in an amount equal to the least of (i) the product of (A) such reduction below the Minimum Transferor Amount and (B) the Excess Funding Account Percentage for such Series, (ii) the product of (A) the amount of funds available in the Excess Funding Account and (B) the Excess Funding Account Percentage and (iii) the Adjusted Invested Amount of such Series.

(g) EXCESS FINANCE CHARGE COLLECTIONS. On each Business Day, (i) for each Group, the Servicer shall apply the aggregate amount for all outstanding Series in such Group of the amounts which the related Supplements specify are to be treated as "Excess Finance Charge Collections" for such Business Day to each Series in such Group, pro rata, in proportion to the aggregate amount for all outstanding Series which the related Supplements specify are "Finance Charge Shortfalls," if any, with respect to each such Series, and (ii) the Servicer shall withdraw (or shall instruct the Trustee to withdraw) from the Collection Account and pay to the Holder of the Exchangeable Transferor Certificate an amount equal to the excess, if any, of (x) the aggregate amount for all outstanding Series in a Group of the amounts which the related Supplements specify are to be treated as "Excess Finance Charge Collections" for such Distribution Date

over (y) the aggregate amount for all outstanding Series in such Group which the related Supplements specify are "Finance Charge Shortfalls" for such Distribution Date; PROVIDED, HOWEVER, that the sharing of Excess Finance Charge Collections among Series in a Group will continue only until such time, if any, at which the Transferor shall deliver to the Trustee an Officer's Certificate to the effect that, in the reasonable belief of the Transferor, the continued sharing of Excess Finance Charge Collections among Series in any Group would have adverse regulatory implications with respect to the Transferor. Following the delivery by the Transferor of such an Officer's Certificate to the Trustee, there will not be any further sharing of Excess Finance Charge Collections among Series in any Group.

[THE REMAINDER OF ARTICLE IV IS RE-SERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

[End of Article IV]

ARTICLE V

[ARTICLE V IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

[End of Article V]

ARTICLE VI

THE CERTIFICATES

Section 6.1 THE CERTIFICATES . Subject to Sections 6.10 and 6.13, the Investor Certificates of each Series and any Class thereof may be issued in bearer form (the "Bearer Certificates") with attached interest coupons and a special coupon (collectively, the "Coupons") or in fully registered form (the "Registered Certificates"), and shall be substantially in the form of the exhibits with respect thereto attached to the related Supplement. The Exchangeable Transferor Certificate shall be substantially in the form of Exhibit A. The Investor Certificates and the Exchangeable Transferor Certificate shall, upon issue pursuant hereto or to Section 6.9 or Section 6.10, be executed and delivered by the Transferor to the Trustee for authentication and redelivery as provided in Sections 2.1 and 6.2. Unless otherwise specified in any Supplement, any Investor Certificate shall be issuable in a minimum denomination of $1,000 Undivided Interest and integral multiples thereof and shall be issued upon original issuance in an original aggregate principal amount equal to the Initial Invested Amount. The Exchangeable Transferor Certificate shall be issued as a single certificate. Each Certificate shall be executed by manual or facsimile signature on behalf of the Transferor by its President or any Vice President. Certificates bearing the manual or facsimile signature of the individual who was, at the time when such signature was affixed, authorized to sign on behalf of the Transferor or the Trustee shall not be rendered invalid, notwithstanding that such individual has ceased to be so authorized prior to the authentication and delivery of such Certificates or does not hold such office at the date of such Certificates. No Certificate shall be entitled to any benefit under this Agreement, or be valid for any purpose, unless there appears on such Certificate a certificate of authentication substantially in the form provided for herein, executed by or on behalf of the Trustee by the manual signature of a duly authorized signatory, and such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been validly issued and duly authenticated and delivered hereunder. All Certificates shall be dated the date of their authentication except Bearer

Certificates which shall be dated the applicable Issuance Date as provided in the related Supplement.

Section 6.2 AUTHENTICATION OF CERTIFICATES. Contemporaneously with the initial assignment and transfer of the Receivables, whether now existing or hereafter created (other than Receivables in Additional Accounts) and the other components to the Trust, the Trustee shall authenticate and deliver the initial Series of Investor Certificates (or applicable Classes thereof), upon the written order of the Transferor. Upon the issuance of such Investor Certificates, such Investor Certificates shall be validly issued, fully paid and non-assessable. The Trustee shall authenticate and deliver the Exchangeable Transferor Certificate to the Transferor simultaneously with its delivery of the initial Series of Investor Certificates. Upon an Exchange as provided in Section 6.9 and the satisfaction of certain other conditions specified therein, the Trustee shall authenticate and deliver the Investor Certificates of additional Series (with the designation provided in the related Supplement), upon the written order of the Transferor. Upon the written order of the Transferor, the Certificates of any Series shall be duly authenticated by or on behalf of the Trustee, in authorized denominations equal to (in the aggregate) the Initial Invested Amount of such Series of Investor Certificates. If specified in the related Supplement for any Series, the Trustee shall authenticate and deliver outside the United States the Global Certificate that is issued upon original issuance thereof, upon the written order of the Transferor, to the Depositary. If specified in the related Supplement for any Series, the Trustee shall authenticate Book-Entry Certificates that are issued upon original issuance thereof, upon the written order of the Transferor, to a Clearing Agency or its nominee as provided in Section 6.10.

Section 6.3 REGISTRATION OF TRANSFER AND EXCHANGE OF CERTIFICATES.

(a) The Trustee shall cause to be kept at the office or agency to be maintained by a transfer agent and registrar (the "Transfer Agent and Registrar") in accordance with the provisions of Section 11.15, a register (the "Certificate Register") in which, subject to such reasonable regulations as it may prescribe, the Transfer Agent and Registrar shall provide for the

registration of

the Investor Certificates of each Series (unless otherwise provided in the related Supplement) and of transfers and exchanges of the Investor Certificates as herein provided. Whenever reference is made in this Agreement to the transfer or exchange of the Certificates by the Trustee, such reference shall be deemed to include the transfer or exchange on behalf of the Trustee by a Transfer Agent and Registrar. The Trustee is hereby initially appointed Transfer Agent and Registrar for the purposes of registering the Investor Certificates and transfers and exchanges of the Investor Certificates as herein provided. If any form of Investor Certificate is issued as a Global Certificate, the Trustee may, or if and so long as any Series of Investor Certificates are listed on a stock exchange and such exchange shall so require, the Trustee shall appoint a co-transfer agent and registrar, which will also be a co-paying agent, in such city as the Transferor may specify. Any reference in this Agreement to the Transfer Agent and Registrar shall include any co-transfer agent and registrar unless the context otherwise requires. The Trustee shall be permitted to resign as Transfer Agent and Registrar upon 30 days' written notice to the Servicer. In the event that the Trustee shall no longer be the Transfer Agent and Registrar, the Transferor shall appoint a successor Transfer Agent and Registrar.

Upon surrender for registration of transfer of any Certificate at any office or agency of the Transfer Agent and Registrar maintained for such purposes, the Transferor shall execute, subject to the provisions of subsection 6.3(c), and the Trustee shall authenticate and, unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall, deliver, in the name of the designated transferee or transferees, one or more new Certificates in authorized denominations of like aggregate Undivided Interests; PROVIDED, HOWEVER, that the provisions of this paragraph shall not apply to Bearer Certificates.

At the option of any Holder of Registered Certificates, Registered Certificates may be exchanged for other Registered Certificates of the same Series in authorized denominations of like aggregate Undivided Interests in the Trust, upon surrender of the Registered Certificates to be exchanged at any office or agency of the Transfer Agent and Registrar maintained for such

purpose. At the option of a Bearer Certificateholder, subject to applicable laws and regulations (including, without limitation, the Bearer Rules), Bearer Certificates may be exchanged for other Bearer Certificates or Registered Certificates of the same Series in authorized denominations of like aggregate Undivided Interests in the Trust, in the manner specified in the Supplement for such Series, upon surrender of the Bearer Certificates to be exchanged at an office or agency of the Transfer Agent and Registrar located outside the United States. Each Bearer Certificate surrendered pursuant to this Section 6.3 shall have attached thereto (or be accompanied by) all unmatured Coupons, provided that any Bearer Certificate so surrendered after the close of business on the Record Date preceding the relevant Distribution Date after the related Series Termination Date need not have attached the Coupons relating to such Distribution Date.

Whenever any Investor Certificates of any Series are so surrendered for exchange, the Transferor shall execute, and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall) deliver, the Investor Certificates of such Series which the Certificateholder making the exchange is entitled to receive. Every Investor Certificate presented or surrendered for registration of transfer or exchange shall be 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 thereof or his attorney-in-fact duly authorized in writing.

The preceding provisions of this Section 6.3 notwithstanding, the Trustee or the Transfer Agent and Registrar, as the case may be, shall not be required to register the transfer of or exchange any Investor Certificate of any Series for a period of 15 days preceding the due date for any payment with respect to the Investor Certificates of such Series.

Unless otherwise provided in the related Supplement, no service charge shall be made for any registration of transfer or exchange of Certificates, but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or governmental charge that

may be imposed in connection with any transfer or exchange of Certificates.

All Investor Certificates (together with any Coupons attached to Bearer Certificates) surrendered for registration of transfer or exchange shall be canceled by the Transfer Agent and Registrar and disposed of in a manner satisfactory to the Trustee. The Trustee shall cancel and dispose of any Global Certificates upon their exchange in full for Definitive Certificates. Such certificate shall also state that a certificate or certificates of each Foreign Clearing Agency to the effect referred to in Section 6.13 was received with respect to each portion of the Global Certificate exchanged for Definitive Certificates.

The Transferor shall execute and deliver to the Trustee or the Transfer Agent and Registrar, as applicable, Bearer Certificates and Registered Certificates in such amounts and at such times as are necessary to enable the Trustee to fulfill its responsibilities under this Agreement and the Certificates.

(b) Except as provided in Section 6.9 or 7.2 or in any Supplement, in no event shall the Exchangeable Transferor Certificate or any interest therein be transferred, sold, exchanged, pledged, participated or otherwise assigned hereunder, in whole or in part, unless the Transferor shall have consented in writing to such transfer and unless the Trustee shall have received (1) confirmation in writing from each Rating Agency that such transfer will not result in a lowering or withdrawal of its then-existing rating of any Series of Investor Certificates, and (2) an Opinion of Counsel that such transfer does not (i) adversely affect the conclusions reached in any of the federal income tax opinions 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) Unless otherwise provided in the related Supplement, registration of transfer of Registered Certificates containing a legend relating to the restrictions on transfer of such Registered Certificates (which legend shall be set forth in the Supplement relating to such Investor Certificates) shall be effected only if the

conditions set forth in such related Supplement are satisfied.

Whenever a Registered Certificate containing the legend set forth in the related Supplement is presented to the Transfer Agent and Registrar for registration of transfer, the Transfer Agent and Registrar shall promptly seek instructions from the Servicer regarding such transfer. The Transfer Agent and Registrar and the Trustee shall be entitled to receive written instructions signed by an officer of the Servicer prior to registering any such transfer or authenticating new Registered Certificates, as the case may be. The Servicer hereby agrees to indemnify the Transfer Agent and Registrar and the Trustee and to hold each of them harmless against any loss, liability or expense incurred without gross negligence or bad faith on their part arising out of or in connection with actions taken or omitted by them in reliance on any such written instructions furnished pursuant to this subsection 6.3(c).

(d) The Transfer Agent and Registrar will maintain at its expense in the Borough of Manhattan, the City of New York, an office or offices or an agency or agencies where Investor Certificates of such Series may be surrendered for registration of transfer or exchange.

(e) Prior to the registration of transfer of any portion of a Transferor Retained Class, the Trustee shall have received an Opinion of Counsel to the effect that such proposed Transfer will not adversely affect the federal or Applicable Tax State income tax characterization of any outstanding Series of

Investor Certificates or the taxability (or tax characterization) of the Trust under federal or Applicable Tax State income tax laws.

Section 6.4 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES. If (a) any mutilated Certificate (together, in the case of Bearer Certificates, with all unmatured Coupons, if any, appertaining thereto) is surrendered to the Transfer Agent and Registrar, or the Transfer Agent and Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Certificate and (b) there is delivered to the Transfer Agent and Registrar and the Trustee such security or indemnity as may be required by them to hold each of them harmless, then, in the absence of notice to the Trustee

that such Certificate has been acquired by a bona fide purchaser, the Transferor shall execute and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different from the Trustee, in which case the Transfer Agent and Registrar shall) deliver (in compliance with applicable law), in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like tenor and aggregate Undivided Interest. In connection with the issuance of any new Certificate under this Section 6.4, the Trustee or the Transfer Agent and Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and the Transfer Agent and Registrar) connected therewith. Any duplicate Certificate issued pursuant to this Section 6.4 shall constitute complete and indefeasible evidence of ownership in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

Section 6.5 PERSONS DEEMED OWNERS. Prior to due presentation of a Certificate for registration of transfer, the Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of them may treat the Person in whose name any Certificate is registered as the owner of such Certificate for the purpose of receiving distributions pursuant to Article V (as described in any Supplement) and Article XII and for all other purposes whatsoever, and neither the Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of them shall be affected by any notice to the contrary; PROVIDED, HOWEVER, that in determining whether the holders of Investor Certificates evidencing the requisite Undivided Interests have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Investor Certificates owned by the Transferor, the Servicer or any Affiliate thereof shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Investor Certificates which a Responsible Officer in the Corporate Trust Office of the Trustee knows to be so owned shall be so disregarded. Investor Certificates so owned that have been pledged in good faith shall not be disregarded as outstanding if the pledgee establishes to the

satisfaction of the Trustee the pledgee's right so to act with respect to such Investor, Certificates and that the pledgee is not the Transferor, the Servicer or an Affiliate thereof. In addition, for purposes of determining whether the requisite percentage of Investor Certificateholders shall have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the outstanding amount of any Series of Variable Funding Certificates (unless otherwise provided in the Supplement relating to such Series) shall be based on the related commitments of the holders of the Variable Funding Certificates (in such amounts as the Servicer shall advise the Trustee in writing) rather than the amount then outstanding.

In the case of a Bearer Certificate, the Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of them may treat the holder of a Bearer Certificate or Coupon as the owner of such Bearer Certificate or Coupon for the purpose of receiving distributions pursuant to Article V (as described in any Supplement) and Article XII and for all other purposes whatsoever, and neither the Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of them shall be affected by any notice to the contrary. Certificates so owned which have been pledged in good faith

shall not be disregarded and may be regarded as outstanding, if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Investor Certificates and that the pledgee is not the Transferor, the Servicer or an Affiliate thereof.

Section 6.6 APPOINTMENT OF PAYING AGENT.

(a) The Paying Agent shall make distributions to Investor Certificateholders from the appropriate account or accounts maintained for the benefit of Certificateholders as specified in this Agreement or the related Supplement for any Series pursuant to Articles IV and V hereof. Any Paying Agent shall have the revocable power to withdraw funds from such appropriate account or accounts for the purpose of making distributions referred to above. The Trustee (or the Servicer if the Trustee is the Paying Agent) may revoke such power and remove the Paying Agent if the Trustee (or the Servicer if the Trustee is the Paying Agent) determines in its sole dis-

cretion that the Paying Agent shall have failed to perform its obligations under this Agreement in any material respect or for other good cause. The Paying Agent, unless the Supplement with respect to any Series states otherwise, shall initially be the Trustee. The Trustee shall be permitted to resign as Paying Agent upon 30 days' written notice to the Servicer. Upon the resignation of the Paying Agent, if the Paying Agent was not the Trustee, the Trustee shall be the successor Paying Agent unless and until another successor has been appointed as Paying Agent. In the event that the Trustee shall no longer be the Paying Agent, the Transferor shall appoint a successor to act as Paying Agent (which shall be a bank or trust company). The provisions of Sections 11.1, 11.2 and 11.3 shall apply to the Trustee also in its role as Paying Agent, for so long as the Trustee shall act as Paying Agent. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

If specified in the related Supplement for any Series, so long as the Investor Certificates of such Series are outstanding and the Paying Agent is not located in New York City, the Transferor shall maintain a co-paying agent in New York City (for Registered Certificates only) or any other city designated in such Supplement.

(b) The Transferor shall cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will hold all sums, if any, held by it for payment to the Certificateholders in trust for the benefit of the Certificateholders entitled thereto and waive all rights of set-off the Paying Agent may have against any sums held by it until such sums shall be paid to such Certificateholders and shall agree, and if the Trustee is the Paying Agent it hereby agrees, that it shall comply with all requirements of the Internal Revenue Code regarding the withholding by the Trustee of payments in respect of federal income taxes due from Certificate Owners.

Section 6.7 ACCESS TO LIST OF CERTIFICATEHOLDERS' NAMES AND ADDRESSES. The Trustee will furnish or cause to be furnished by the Transfer Agent and Registrar to the Servicer or the Paying Agent, within five

Business Days after receipt by the Trustee of a request therefor from the Servicer or the Paying Agent, respectively, in writing, a list in such form as the Servicer or the Paying Agent may reasonably require, of the names and addresses of the Investor Certificateholders as of the most recent Record Date for payment of distributions to Investor Certificateholders. Unless otherwise provided in the related Supplement, holders of Investor Certificates evidencing Undivided Interests aggregating not less than 10% of the Invested Amount of the Investor Certificates of any Series (the "Applicants") may apply in writing to the Trustee, and if such application states that the Applicants desire to communicate with other Investor Certificateholders of any Series with respect to their rights under this Agreement or under the Investor Certificates and is accompanied by a copy of the communication which such Applicants propose to transmit, then the Trustee, after having been adequately indemnified by such Applicants for its costs and expenses, shall afford or shall cause the Transfer

Agent and Registrar to afford such Applicants access during normal business hours to the most recent list of Certificateholders held by the Trustee and shall give the Servicer notice that such request has been made, within five Business Days after the receipt of such application. Such list shall be as of a date no more than 45 days prior to the date of receipt of such Applicants' request. Every Certificateholder, by receiving and holding a Certificate, agrees with the Trustee that neither the Trustee, the Transfer Agent and Registrar, nor any of their respective agents shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Certificateholders hereunder, regardless of the source from which such information was obtained.

Section 6.8 AUTHENTICATING AGENT.

(a) The Trustee may appoint one or more authenticating agents (each, an "Authenticating Agent") with respect to the Certificates which shall be authorized to act on behalf of the Trustee in authenticating the Certificates in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Certificates. The Trustee may appoint any Transfer Agent and Registrar to be an Authentication Agent. Whenever reference is made in this Agreement to the authentication of Certificates by the Trustee or the Trustee's

certificate of authentication, such reference shall be deemed to include authentication on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent must be acceptable to the Transferor.

(b) Any institution succeeding to the corporate agency business of an Authenticating Agent shall continue to be an Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent.

(c) An Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Transferor. The Trustee may at any time terminate the agency of an Authenticating Agent by giving notice of termination to such Authenticating Agent and to the Transferor. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an Authenticating Agent shall cease to be acceptable to the Trustee or the Transferor, the Trustee promptly may appoint a successor Authenticating Agent. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless acceptable to the Trustee and the Transferor.

(d) The Servicer agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section 6.8.

(e) The provisions of Sections 11.1, 11.2 and 11.3 shall be applicable to any Authenticating Agent.

(f) Pursuant to an appointment made under this Section 6.8, the Certificates may have endorsed thereon, in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

Trustee's Certificate of Authentication

This is one of the certificates described in the Pooling and Servicing Agreement.

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as Authenticating Agent
for the Trustee,

By:

Authorized Signatory

Section 6.9 TENDER OF EXCHANGEABLE TRANSFEROR CERTIFICATE.

(a) Upon any Exchange, the Transferor shall deliver to the Trustee for authentication under Section 6.2, one or more new Series of Investor Certificates. Any such Series of Investor Certificates shall be substantially in the form specified in the related Supplement and shall bear, upon its face, the designation for such Series to which it belongs, as selected by the Transferor. Except as specified in any Supplement for a related Series, all Investor Certificates of any Series shall rank PARI PASSU and be equally and ratably entitled as provided herein to the benefits hereof (except that the Enhancement provided for any Series shall not be available for any other Series) without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Agreement.

(b) The Holder of the Exchangeable Transferor Certificate may (i) tender the Exchangeable Transferor Certificate to the Trustee in exchange for (A) one or more newly issued Series of Investor Certificates or, with respect to any pre-funded Series, interests therein and (B) a reissued Exchangeable Transferor Certificate, (ii) request the Trustee to issue to it one or more Classes of any newly issued Series of Investor Certificates which upon payment by the purchaser thereof of the Initial Invested Amount of such Certificates to a Defeasance Account, will represent an interest in the Trust equal to such Initial Invested Amount (an "Unfunded Certificate") or (iii) take a combination of the actions

specified in clauses (i) and (ii); provided that the sum of the amount of Transferor Amount which is tendered under clause (i) and the amount to be paid to the Defeasance Account under clause (ii) equals the Initial Invested Amount of the Investor Certificates delivered to the Holder of the Exchangeable Transferor Certificate (any such event under clauses (i), (ii) or (iii), a "Transferor Exchange"). In addition, to the extent permitted for any Series of Investor Certificates as specified in the related Supplement, the Investor Certificateholders of such Series may tender their Investor Certificates and the Holder of the Exchangeable Transferor Certificate may tender the Exchangeable Transferor Certificate to the Trustee pursuant to the terms and conditions set forth in such Supplement in exchange for (i) one or more newly issued Series of Investor Certificates and (ii) a reissued Exchangeable Transferor Certificate (an "Investor Exchange"). Unless otherwise specified in any Supplement, the Transferor shall not be permitted to deposit money into any Defeasance Account. The Transferor Exchange and Investor Exchange are referred to collectively herein as an "Exchange." The Holder of the Exchangeable Transferor Certificate may perform an Exchange by notifying the Trustee, in writing, at least five Business Days in advance (an "Exchange Notice") of the date upon which the Exchange is to occur (an "Exchange Date"). Any Exchange Notice shall state the designation of any Series to be issued on the Exchange Date and, with respect to each such Class or Series: (a) its Initial Invested Amount (or the method for calculating such Initial Invested Amount), which at any time may not be greater than the current principal amount of the Exchangeable Transferor Certificate at such time (or in the case of an Investor Exchange, the sum of the Invested Amount of any Class or Series of Investor Certificates to be exchanged PLUS the current principal amount of the Exchangeable Transferor Certificate) taking into account any Receivables transferred to the Trust simultaneous with such Exchange, (b) its Certificate Rate (or the method for allocating interest payments or other cash flows to such Series), if any, and (c) the Enhancement Provider, if any, with respect to such Series. On the Exchange Date, the Trustee shall authenticate and deliver any such Class or Classes of such Series of Investor Certificates only upon delivery to it of the following: (a) a Supplement satisfying the criteria set forth in subsection 6.9(c) and in form reasonably satis-

factory to the Trustee executed by the Transferor and the Servicer and

specifying the Principal Terms of such Series, (b) the applicable Enhancement, if any, (c) the agreement, if any, pursuant to which the Enhancement Provider agrees to provide the Enhancement, if any, (d) an Opinion of Counsel to the effect that (i) any Class of the newly issued Series of Investor Certificates sold to third parties will be characterized as either indebtedness or partnership interests for Federal and Applicable Tax State income tax purposes or (ii) that the issuance of the newly issued Series of Investor Certificates 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, (e) written confirmation from each Rating Agency that the Exchange will not result in such Rating Agency's reducing or withdrawing its rating on any then outstanding Class of any Series as to which it is a Rating Agency, (f) an Officer's Certificate of the Transferor, that on the Exchange Date after giving effect to such exchange (i) the Transferor Amount would be at least equal to the Minimum Transferor Amount and (ii) the Retained Interest would be at least equal to the Minimum Retained Interest, (g) the existing Exchangeable Transferor Certificate or applicable Investor Certificates, as the case may be and (h) such other documents, certificates and Opinions of Counsel as may be required by the applicable Supplement. Upon satisfaction of such conditions, the Trustee shall cancel the existing Exchangeable Transferor Certificate or applicable Investor Certificates, as the case may be, and issue, as provided above, such Series of Investor Certificates and a new Exchangeable Transferor Certificate, dated the Exchange Date. There is no limit to the number of Exchanges that may be performed under this Agreement.

(c) In conjunction with an Exchange, the parties hereto shall execute a Supplement, which shall specify the relevant terms with respect to any newly issued Series of Investor Certificates, which may include without limitation: (i) its name or designation, (ii) the Initial Invested Amount or the method of calculating the Initial Invested Amount, (iii) the Certificate Rate (or formula for the determination thereof), (iv) the Closing Date, (v) the rating agency or agencies rating such Series, (vi) the name of the Clearing Agency, if any, (vii)

the rights of the Holder of the Exchangeable Transferor Certificate that have been transferred to the Holders of such Series pursuant to such Exchange (including any rights to allocations of Collections of Finance Charge Receivables and Principal Receivables), (viii) the interest payment date or dates and the date or dates from which interest shall accrue, (ix) the method of allocating Collections with respect to Principal Receivables for such Series and, if applicable, with respect to other Series and the method by which the principal amount of Investor Certificates of such Series shall amortize or accrete and the method for allocating Collections with respect to Finance Charge Receivables and Receivables in Defaulted Accounts, (x) the names of any accounts to be used by such Series and the terms governing the operation of any such account, (xi) the Series Servicing Fee Percentage, (xii) the Minimum Transferor Amount, (xiii) the Series Termination Date, (xiv) the terms of any Enhancement with respect to such Series, (xv) the Enhancement Provider, if applicable, (xvi) the base rate applicable to such Series, (xvii) the terms on which the Certificates of such Series may be repurchased or remarketed to other investors, (xviii) any deposit into any account provided for such Series, (xix) the number of Classes of such Series, and if more than one Class, the rights and priorities of each such Class, (xx) whether any fees will be included in the funds available to be paid for such Series, (xxi) the priority of any Series with respect to any other Series, (xxii) the rights, if any, of the holders of the Exchangeable Transferor Certificates that have been transferred to the holders of such Series, (xxiii) the Pool Factor, (xxiv) the Minimum Aggregate Principal Receivables, (xxv) whether such Series will be a part of a group or subject to being paired with any other Series, (xxvi) whether such Series will be prefunded or paired with any other Series, and (xxvii) any other relevant terms of such Series (including whether or not such Series will be pledged as collateral for an issuance of any other securities, including commercial paper) (all such terms, the "Principal Terms" of such Series). The terms of such Supplement may modify or amend the terms of this Agreement solely as applied to such new Series. If on the date of the issuance of such Series there is issued and outstanding one or more Series of Investor Certificates and no Series of Investor Certificates is currently rated by a Rating Agency, then as a condition to such Exchange a nationally recognized investment banking firm

or commercial bank shall also deliver to the Trustee an officer's certificate stating, in substance, that the Exchange will not have an adverse effect on the timing or distribution of payments to such other Series of Investor Certificates then issued and outstanding.

(d) The Transferor may surrender the Exchangeable Transferor Certificate to the Trustee in exchange for a newly issued Exchangeable Transferor Certificate and one or more additional certificates (each a "Supplemental Certificate"), the terms of which shall be defined in a Supplement (which Supplement shall be subject to Section 13.1(a) to the extent that it amends any of the terms of this Agreement), to be delivered to or upon the order of the Transferor (or the Holder of a Supplemental Certificate, in the case of the transfer or exchange thereof, as provided below), upon satisfaction of the following conditions:

(i) the Transferor Amount (excluding the interest represented by any Supplemental Certificate) shall not be less than the Minimum Transferor Amount, as of the date of, and after giving effect to, such exchange;

(ii) each Rating Agency shall have confirmed in writing such exchange (or transfer or exchange as provided below) will not cause a reduction or withdrawal of the ratings, if any, on the Certificates; and

(iii) the Transferor shall have delivered to the Trustee and each Rating Agency an Opinion of Counsel that such exchange shall not 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 any outstanding Class or Series of Investor Certificates or any Certificateholder or Certificate Owner, which Opinion of Counsel shall be dated the date of such exchange (or transfer or exchange as provided below).

Any Supplemental Certificate may be transferred or exchanged only upon satisfaction of the conditions set forth in clauses (ii) and (iii) above.

Section 6.10 BOOK-ENTRY CERTIFICATES. Unless otherwise provided in any related Supplement, the Investor Certificates, upon original issuance, shall be issued in the form of typewritten Certificates representing the Book-Entry Certificates, to be delivered to the depositary specified in such Supplement (the "Depositary") which shall be the Clearing Agency or Foreign Clearing Agency, by or on behalf of such Series. The Investor Certificates of each Series shall, unless otherwise provided in the related Supplement, initially be registered on the Certificate Register in the name of the nominee of the Clearing Agency or Foreign Clearing Agency. No Certificate Owner will receive a definitive certificate representing such Certificate Owner's interest in the related Series of Investor Certificates, except as provided in Section 6.12. Unless and until definitive, fully registered Investor Certificates of any Series ("Definitive Certificates") have been issued to Certificate Owners pursuant to Section 6.12:

(i) the provisions of this Section 6.10 shall be in full force and effect with respect to each such Series;

(ii) the Transferor, the Servicer, the Paying Agent, the Transfer Agent and Registrar and the Trustee may deal with the Clearing Agency and the Clearing Agency Participants for all purposes (including the making of distributions on the Investor Certificates of each such Series) as the authorized representatives of the Certificate Owners;

(iii) to the extent that the provisions of this Section 6.10 conflict with any other provisions of this Agreement, the provisions of this Section 6.10 shall control with respect to each such Series; and

(iv) the rights of Certificate Owners of Investor Certificates of each such Series shall be exercised only through the Clearing Agency or Foreign Clearing Agency and the applicable Clearing Agency Participants and shall be limited to those established by law and agreements between such Certificate Owners and the Clearing Agency or Foreign Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Depositary Agreement appli-

cable to a Series, unless and until Definitive Certificates of such Series are issued pursuant to Section 6.12, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the Investor Certificates to such Clearing Agency Participants.

Section 6.11 NOTICES TO CLEARING AGENCY. Whenever notice or other communication to the Certificateholders is required under this Agreement, unless and until Definitive Certificates shall have been issued to Certificate Owners pursuant to Section 6.12, the Trustee shall give all such notices and communications specified herein to be given to Holders of the Investor Certificates to the Clearing Agency or Foreign Clearing Agency.

Section 6.12 DEFINITIVE CERTIFICATES. If (i) (A) the Transferor advises the Trustee in writing that the Clearing Agency or Foreign Clearing Agency is no longer willing or able to discharge properly its responsibilities under the applicable Depositary Agreement, and (B) the Transferor is unable to locate a qualified successor, (ii) the Transferor, at its option, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency or Foreign Clearing Agency with respect to any Series of Certificates or (iii) after the occurrence of a Servicer Default, Certificate Owners of a Series representing beneficial interests aggregating not less than 50% of the Invested Amount of such Series advise the Trustee and the applicable Clearing Agency or Foreign Clearing Agency through the applicable Clearing Agency Participants in writing that the continuation of a book-entry system through the applicable Clearing Agency or Foreign Clearing Agency is no longer in the best interests of the Certificate Owners, the Trustee shall notify all Certificate Owners of such Series, through the applicable Clearing Agency Participants, of the occurrence of any such event and of the availability of Definitive Certificates to Certificate Owners of such Series requesting the same. Upon surrender to the Trustee of the Investor Certificates of such Series by the applicable Clearing Agency or Foreign Clearing Agency for registration of transfer, accompanied by registration instructions from the applicable Clearing Agency or Foreign Clearing Agency, the Trustee shall issue the Definitive Certificates of such

Series. Neither the Transferor nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Certificates of such Series, all references herein to obligations imposed upon or to be performed by the applicable Clearing Agency or Foreign Clearing Agency shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Certificates, and the Trustee shall recognize the Holders of the Definitive Certificates of such Series as Certificateholders of such Series hereunder.

Section 6.13 GLOBAL CERTIFICATE; EURO-CERTIFICATE EXCHANGE DATE. If specified in the related Supplement for any Series, the Investor Certificates may be initially issued in the form of a single temporary Global Certificate (the "Global Certificate") in bearer form, without interest coupons, in the denomination of the Initial Invested Amount of such Series and substantially in the form attached to the related Supplement. Unless otherwise specified in the related Supplement, the provisions of this Section 6.13 shall apply to such Global Certificate. The Global Certificate will be authenticated by the Trustee upon the same conditions, in substantially the same manner and with the same effect as the Definitive Certificates. The Global Certificate may be exchanged in the manner described in the related Supplement for Registered or Bearer Certificates in definitive form.

Section 6.14 MEETINGS OF CERTIFICATEHOLDERS.

To the extent provided by the Supplement for any Series issued in whole or in part in Bearer Certificates, the Servicer or the Trustee may at any time call a meeting of the Certificateholders of such Series, to be held at such time and at such place as the Servicer or the Trustee, as the case may be, shall determine, for the purpose of approving a modification of or amendment to, or obtaining a waiver of, any covenant or condition set forth in this Agreement with respect to such Series or in the Certificates of such Series, subject to Section 13.1 of this Agreement.

Section 6.15 UNCERTIFICATED CLASSES. Notwithstanding anything to the contrary contained in this

Article VI or in Article XII, unless otherwise specified in any Supplement, any provisions contained in this Article VI and in Article XII relating to the registration, form, execution, authentication, delivery, presentation, cancellation and surrender of Certificates shall not be applicable to any uncertificated Certificates.

[End of Article VI]

ARTICLE VII

OTHER MATTERS RELATING TO THE TRANSFEROR

Section 7.1 LIABILITY OF THE TRANSFEROR. The Transferor shall be liable in accordance herewith solely to the extent of the obligations specifically undertaken by the Transferor.

Section 7.2 MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, THE TRANSFEROR.

(a) The Transferor shall not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the Person formed by such consolidation or into which the Transferor is merged or the Person which acquires by conveyance or transfer the properties and assets of the Transferor substantially as an entirety shall be, if the Transferor is not the surviving Person (x) a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia or (y) a state or national banking association that is not subject to the United States Bankruptcy Code of 1978, as amended from time to time, or to any successor statute, and shall expressly assume, by an agreement supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the performance of every covenant and obligation of the Transferor, as applicable hereunder and shall benefit from all the rights granted to the Transferor, as applicable hereunder. To the extent that any right, covenant or obligation of the Transferor, as applicable hereunder, is inapplicable

to the successor Person, such successor Person shall be subject to such covenant or obligation, or benefit from such right, as would apply, to the extent practicable, to such successor Person. In furtherance hereof, in applying this Section 7.2 to a successor Person, Section 9.2 hereof shall be applied by reference to events of involuntary liquidation, receivership or conservatorship applicable to such successor Person as shall be set forth in the officer's certificate described in subsection 7.2(a)(ii);

(ii) the Transferor shall have delivered to the Trustee an Officer's Certificate signed by a Vice President (or any more senior officer) of the Transferor stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 7.2 and that all conditions precedent herein provided

for relating to such transaction have been complied with and an Opinion of Counsel that such supplemental agreement is legal, valid and binding and that the Person surviving such consolidation, conveyance or transfer is organized and existing under the laws of the United States of America or any State or the District of Columbia and, subject to customary limitations and qualifications, such Person should not be substantively consolidated with any Originator or the Servicer;

(iii) the Transferor shall have delivered notice to each Rating Agency of such consolidation, merger, conveyance or transfer and each Rating Agency shall have provided written confirmation that such consolidation, merger, conveyance or transfer will not result in such Rating Agency reducing or withdrawing its rating on any then outstanding Class or Series as to which it is a Rating Agency; and

(iv) if the Transferor is not the surviving Person, the surviving Person shall file new UCC-1 financing statements with respect to the interest of the Trust in the Receivables.

(b) The obligations of the Transferor hereunder shall not be assignable nor shall any Person succeed to the obligations of the Transferor hereunder ex-

cept for mergers, consolidations, assumptions or transfers in accordance with the provisions of the foregoing paragraph.

Section 7.3 LIMITATION ON LIABILITY. The directors, officers, employees or agents of the Transferor shall not be under any liability to the Trust, the Trustee, the Certificateholders, any Enhancement Provider or any other Person hereunder or pursuant to any document delivered hereunder, it being expressly understood that all such liability is expressly waived and released as a condition of, and as consideration for, the execution of this Agreement and any Supplement and the issuance of the Certificates; PROVIDED, HOWEVER, that this provision shall not protect the officers, directors, employees, or agents of the Transferor against any liability which would otherwise be imposed upon them by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Except as provided in Sections 7.1 and 7.4 with respect to the Trust and the Trustee and its officers, directors, employees and agents, the Transferor shall not be under any liability to the Trust, the Trustee, its officers, directors, employees and agents, the Certificateholders, any Enhancement Provider or any other Person for any action taken or for refraining from the taking of any action in its capacity as Transferor pursuant to this Agreement or any Supplement whether arising from express or implied duties under this Agreement or any Supplement or otherwise; PROVIDED, HOWEVER, that this provision shall not protect the Transferor against any liability which would otherwise be imposed upon it by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. The Transferor and any director, officer, employee or agent may rely in good faith on any document of any kind PRIMA FACIE properly executed and submitted by any Person respecting any matters arising hereunder.

Section 7.4 LIABILITIES. (a) Notwithstanding Section 7.3 (and notwithstanding Sections 8.3 and 8.4), the Transferor by entering into this Agreement, and any Holder of any interest in the Exchangeable Transferor Certificate (excluding, unless otherwise provided in any Supplement, any Supplemental Certificate) by its accep-

tance thereof, agree to be liable, directly to the injured party, for the entire amount of any losses, claims, damages or liabilities (other than those taken at the direction of Investor Certificateholders or that would be incurred by an Investor Certificateholder if the Investor Certificates were notes secured by the Receivables, including for example, as a result of the performance of the Receivables, market fluctuations, a shortfall or failure to make payment under any Enhancement or other similar market or investment risks associated with ownership of the Investor Certificates) arising out of or based on the

arrangement created by this Agreement or the actions of the Servicer taken pursuant hereto (to the extent that, if the Trust Property at the time the claim is made were used to pay in full all outstanding Certificates of all Series, the Trust Property that would remain after the Investor Certificateholders and Enhancement Providers, if any, were paid in full would be insufficient to pay any such losses, claims, damages or liabilities) as though this Agreement created a partnership under the New York Revised Limited Partnership Act in which the Transferor and such Holder of the Exchangeable Transferor Certificate were general partners. To the extent provided in Section 8.4, the Servicer will (from its own assets and not from the assets of the Trust) indemnify and hold harmless the Trustee, the Transferor and each Holder of the Exchangeable Transferor Certificate against and from certain losses, claims, damages and liabilities of the Transferor or such Holder as described in this Section arising from the actions or omissions of the Servicer.

(b) The Transferor shall indemnify and hold harmless the Trustee and its officers, directors, employees and agents, from and against any loss, liability, expense, damage or injury (collectively, a "Loss") suffered or sustained by reason of the acceptance by the Trustee of the trust pursuant to this Agreement, including any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any action, proceeding or claim; PROVIDED, HOWEVER, that the Transferor's duty to indemnify under this subsection 7.4(b) shall not extend to any Losses that are caused by or result from the fraud, negligence, or willful misconduct of, the Trustee, its employees or its agents; PROVIDED, FURTHER, that in no event will the Transferor be liable, directly or indi-

rectly, for or in respect of any indebtedness evidenced or created by any Certificate, recourse as to which shall be limited solely to the assets of the Trust allocated for the payment thereof as provided in this Agreement and any applicable Supplement. This indemnification shall survive the termination of the Agreement or the resignation or removal of the Trustee.

Section 7.5 TRANSFEROR'S RECORDS. The Transferor shall clearly and unambiguously mark its accounting records evidencing the Receivables being purchased pursuant to the Receivables Purchase Agreement with a legend stating that such Receivables have been conveyed to the Trust pursuant to this Agreement.

[End of Article VII]

ARTICLE VIII

OTHER MATTERS RELATING TO THE SERVICER

Section 8.1 LIABILITY OF THE SERVICER. The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer in such capacity herein.

Section 8.2 MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, THE SERVICER. Subject to subsection 3.1(a), the Servicer shall not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the Person formed by such consolidation or into which the Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the Servicer substantially as an entirety shall be (x) a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia or (y) a state or national banking association that is not subject to the United States Bankruptcy Code of 1978, as amended from time to time, or to any successor statute and, if the Servicer is not the surviving Person, shall expressly assume, by an

agreement supplemental hereto, executed and delivered to the Trustee in form satisfactory to the Trustee, the performance of every covenant and

obligation of the Servicer hereunder (to the extent that any right, covenant or obligation of the Servicer, as applicable hereunder, is inapplicable to the successor Person, such successor Person shall be subject to such covenant or obligation, or benefit from such right, as would apply, to the extent practicable, to such successor Person);

(ii) the Servicer shall have delivered to the Trustee an Officer's Certificate that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 8.2 and that all conditions precedent herein provided for relating to such transaction have been complied with and an Opinion of Counsel that such supplemental agreement is legal, valid and binding with respect to the Servicer and that the Person surviving such consolidation, conveyance or transfer is organized and existing under the laws of the United States of America or any State or the District of Columbia; and

(iii) the Servicer shall have delivered notice to each Rating Agency of such consolidation, merger, conveyance or transfer.

Section 8.3 LIMITATION ON LIABILITY OF THE SERVICER AND OTHERS. The directors, officers, employees or agents of the Servicer shall not be under any liability to the Trust, the Trustee, the Certificateholders, any Enhancement Provider or any other Person hereunder or pursuant to any document delivered hereunder, it being expressly understood that all such liability is expressly waived and released as a condition of, and as consideration for, the execution of this Agreement and any Supplement and the issuance of the Certificates; PROVIDED, HOWEVER, that this provision shall not protect the directors, officers, employees and agents of the Servicer against any liability which would otherwise be imposed upon them by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Except as provided in Sections 8.1 and 8.4 with respect to the Trustee, its officers, directors, employ-

ees and agents, the Servicer shall not be under any liability to the Trust, the Trustee, its officers, directors, employees and agents, the Certificateholders, any Enhancement Provider or any other Person for any action taken or for refraining from the taking of any action in its capacity as Servicer pursuant to this Agreement or any Supplement; PROVIDED, HOWEVER, that this provision shall not protect the Servicer against any liability which would otherwise be imposed upon it by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of its reckless disregard of its obligations and duties hereunder or under any Supplement. The Servicer may rely in good faith on any document of any kind PRIMA FACIE properly executed and submitted by any Person respecting any matters arising hereunder. The Servicer shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the Receivables in accordance with this Agreement which in its reasonable opinion may involve it in any expense or liability.

Section 8.4 SERVICER INDEMNIFICATION OF THE TRANSFEROR, THE TRUST AND THE TRUSTEE. Subject to the limitations on liability set forth in Section 8.3, the Servicer shall indemnify and hold harmless the Transferor, the Trustee and the Trust (each, an "Indemnified Party") from and against any loss, liability, reasonable expense, damage or injury, including, but not limited to, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, suffered or sustained by reason of any acts or omissions or alleged acts or omissions of the Servicer with respect to activities of the Trust or the Trustee for which the Servicer is responsible pursuant to this Agreement; PROVIDED, HOWEVER, that the Servicer shall not indemnify or hold harmless an Indemnified Party if such acts, omissions or alleged acts or omissions constitute or are caused by fraud, negligence or willful misconduct by such Indemnified Party (or any of such Indemnified Party's officers, directors, employees or agents) or the Investor Certificateholders; PROVIDED, FURTHER, that the Servicer shall not indemnify or hold harmless the Trust, the Investor Certificateholders or the Certificate Owners for any losses, liabilities,

expenses, damages or injuries suffered or sustained by any of them with respect to any action taken by the Trustee at the request of the Investor Certificateholders; PROVIDED, FURTHER, that the Servicer shall not indemnify or hold harmless the Trust, the Investor Certificateholders or the Certificate Owners as to any losses, liabilities, expenses, damages or injuries suffered or sustained by any of them in their capacities as investors, including without limitation losses incurred as a result of Defaulted Accounts or Receivables which are written off as uncollectible; PROVIDED, FURTHER, that the Servicer shall not indemnify or hold harmless the Transferor, the Trust, the Investor Certificateholders or the Certificate Owners for any losses, liabilities, expenses, damages or injuries suffered or sustained by the Trust, the Investor Certificateholders or the Certificate Owners arising under any tax law, including without limitation, any federal, state, local or foreign income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalties with respect thereto or arising from a failure to comply therewith) required to be paid by the Trust, the Investor Certificateholders or the Certificate Owners in connection herewith to any taxing authority; and, PROVIDED, FURTHER, that in no event will the Servicer be liable, directly or indirectly, for or in respect of any indebtedness evidenced or created by any Certificate, recourse as to which shall be limited solely to the assets of the Trust allocated for the payment thereof as provided in this Agreement and any applicable Supplement. Any such indemnification shall not be payable from the assets of the Trust, but the Servicer shall be subrogated to the rights of the Trust with respect to the foregoing matters if and to the extent that the Servicer shall have indemnified the Trust with respect thereto. The Servicer shall indemnify and hold harmless the Trustee and its officers, directors, employees or agents from and against any loss, liability, reasonable expense, damage or injury suffered or sustained by reason of the acceptance of this Trust by the Trustee, the issuance by the Trust of the Certificates or any of the other matters contemplated herein or in any Supplement; PROVIDED, HOWEVER, that the Servicer shall not indemnify the Trustee or its officers, directors, employees or agents for any loss, liability, expense, damage or injury caused by the fraud, negligence or willful misconduct of any of them. The provisions of this indemnity shall run directly to and be enforceable by an

injured party subject to the limitations hereof and shall survive the resignation or removal of the Servicer, the resignation or removal of the Trustee and/or the termination of the Trust and shall survive the termination of this Agreement.

Section 8.5 THE SERVICER NOT TO RESIGN. Subject to subsection 3.1(a), the Servicer shall not resign from the obligations and duties hereby imposed on it except upon determination that (i) the performance of its duties hereunder is no longer permissible under applicable law and (ii) there is no reasonable action which the Servicer could take to make the performance of its duties hereunder permissible under applicable law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Trustee. No such resignation shall become effective until the Trustee or a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 10.2 hereof. If the Trustee is unable within 120 days of the date of delivery to it of such Opinion of Counsel to appoint a Successor Servicer, the Trustee shall serve as Successor Servicer hereunder (but shall have continued authority to appoint another Person as Successor Servicer).

Section 8.6 ACCESS TO CERTAIN DOCUMENTATION AND INFORMATION REGARDING THE RECEIVABLES. The Servicer shall provide to the Trustee and its agents (who shall be reasonably acceptable to the Servicer) access to the documentation regarding the Accounts and the Receivables in such cases where the Trustee is required in connection with the enforcement of the rights of the Investor Certificateholders, or by applicable statutes or regulations, to review such documentation, such access being afforded without charge but only (i) upon reasonable request, (ii) during normal business hours, (iii) subject to the Servicer's normal security and confidentiality procedures and (iv) at offices designated by the Servicer. Nothing in this Section 8.6 shall derogate from the obligation of the Transferor, the Trustee or the Servicer to observe any applicable law prohibiting disclosure of information regarding the Obligors and the failure of the Servicer to provide access as

provided in this Section 8.6 as a result of such obligations shall not constitute a breach of this Section 8.6.

Section 8.7 DELEGATION OF DUTIES. It is understood and agreed by the parties hereto that the Servicer may delegate certain of its duties hereunder to FACS Group, Inc., a subsidiary of Federated, located in Mason, Ohio, Tampa, Florida and Phoenix, Arizona and to First Data Resources, Inc., a Delaware corporation. In the ordinary course of business, the Servicer may at any time delegate any duties hereunder to any Person who agrees to conduct such duties in accordance with the Credit and Collection Policies. Any such delegations shall not relieve the Servicer of its liability and responsibility with respect to such duties, and shall not constitute a resignation within the meaning of Section 8.5 hereof and the Servicer will remain jointly and severally liable with such Person for any amounts which would otherwise be payable pursuant to this Article VIII as if the Servicer had performed such duty; PROVIDED, HOWEVER, that in the case of any significant delegation to a Person other than an Affiliate of FDSNB (i) written notice shall be given to the Trustee and to each Rating Agency of such delegation and (ii) no Rating Agency shall have notified the Transferor or the Trustee in writing that such delegation will result in the lowering or withdrawal of its then existing rating of any Series or Class of Investor Certificates.

[End of Article VIII]

ARTICLE IX

PAY OUT EVENTS

Section 9.1 PAY OUT EVENTS. If any one of the following events (each, a "Trust Pay Out Event") shall occur:

(a) the Transferor, any Holder of the Exchangeable Transferor Certificate (other than a Holder of a Supplemental Certificate) or FCHC shall consent to the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to all or substantially all of its property, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator in any bank-

ruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Transferor, any Holder of the Exchangeable Transferor Certificate (other than a Holder of a Supplemental Certificate) or FCHC; or the Transferor, any Holder of the Exchangeable Transferor Certificate (other than a Holder of a Supplemental Certificate) or FCHC shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute including the U.S. bankruptcy code, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations; or the Transferor shall become unable for any reason to transfer Receivables to the Trust in accordance with the provisions of this Agreement;

(b) the Trust shall become subject to regulation by the Securities and Exchange Commission as an "investment company" within the meaning of the Investment Company Act; or

(c) the Transferor shall become unable for any reason to transfer Receivables to the Trust pursuant to this Agreement;

then a Pay Out Event with respect to all Series of Certificates shall occur without any notice or other action on the part of the Trustee or the Investor Certificateholders immediately upon the occurrence of such event.

Section 9.2 ADDITIONAL RIGHTS UPON THE OCCURRENCE OF CERTAIN EVENTS.

(a) If (x) the Transferor shall consent to the appointment of a bankruptcy trustee or receiver or liquidator for the winding-up or liquidation of its affairs, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator for the winding-up or liquidation of its affairs shall have been entered against the Transferor (an "Insolvency Event"), the Transferor shall on the day of such Insolvency Event (the "Appointment Day") or (y) the Retained Percentage shall at any time be equal to or

less than 2% (a "Trigger Event"), the following actions shall be taken and processes begun:

(i) If an Insolvency Event shall have occurred, the Transferor shall immediately cease to transfer Principal Receivables to the Trust and shall promptly give written notice to the Trustee of such Insolvency Event. Notwithstanding any cessation of the transfer to the Trust of additional Principal Receivables, receivables accrued in respect of periodic finance charges, late fees and similar fees and charges, whenever created, accrued in respect of Receivables which have been transferred to the Trust, shall continue to be a part of the Trust, and Collections with respect thereto shall continue to be allocated and paid in accordance with Article IV.

(ii) If an Insolvency Event or a Trigger Event shall have occurred, this Agreement and the Trust shall be deemed to have terminated, subject to the liquidation, winding-up and dissolution procedures described below; PROVIDED, HOWEVER, that within 15 days of the date of written notice to the Trustee, the Trustee shall (A) publish a notice in an Authorized Newspaper that an Insolvency Event or a Trigger Event has occurred, that the Trust has terminated, and that the Trustee intends to sell, dispose of or otherwise liquidate the Receivables pursuant to this Agreement in a commercially reasonable manner and on commercially reasonable terms, which shall include the solicitation of competitive bids (a "Disposition") and (B) send written notice to the Investor Certificateholders describing the provisions of this Section 9.2 and requesting each Investor Certificateholder to advise the Trustee in writing that it elects one of the following options: (1) the Investor Certificateholder wishes the Trustee to instruct the Servicer not to effectuate a Disposition, (2) the Investor Certificateholder refuses to advise the Trustee as to the specific action the Trustee shall instruct the Servicer to take or (3) the Investor Certificateholder wishes the Servicer to effect a Disposition. If after 75 days from the day notice pursuant to clause (A) above is first published (the "Publication Date"), the Trustee shall not have received the written instruction described in clause (B) above from Holders of Investor Certificates representing Undivided Interests aggregating in excess of 50% of the related Invested Amount of each Series (or, in the case

of a Series having more than one Class, each Class of such Series) and the holders of any Supplemental Certificates or any other interest in the Exchangeable Transferor Certificate other than the Transferor as provided in Section 6.3(b) (for each Series, a "Holders' Majority"), the Trustee shall instruct the Servicer to effectuate a Disposition, and the Servicer shall proceed to consummate a Disposition. If, however, with respect to the portion of the Receivables allocable to any outstanding Series, a Holders' Majority instruct the Trustee not to effectuate a Disposition of the portion of the Receivables allocable to such Series, the Trust shall be reconstituted and continue with respect to such Series pursuant to the terms of this Agreement and the applicable Supplement (as amended in connection with such reconstitution); PROVIDED, HOWEVER, that in the event of an Insolvency Event, the Trust shall not be reconstituted unless the Trustee shall have first received an Opinion of Counsel to the effect that the Trust, as reconstituted, shall not be subject to Federal or any Applicable Tax State income tax on its income. The portion of the Receivables allocable to any Series shall be equal to the sum of (1) the product of (A) the Transferor Percentage, (B) the aggregate outstanding Principal Receivables and (C) a fraction the numerator of which is the related Investor Percentage of Collections of Finance Charge Receivables and the denominator of which is the sum of all Investor Percentages with respect to Collections of Finance Charge Receivables for all Series outstanding and (2) the Invested

Amount of such Series. The Transferor or any of its Affiliates shall be permitted to bid for the Receivables. In addition, the Transferor or any of its Affiliates shall have the right to match any bid by a third person and be granted the right to purchase the Receivables at such matched bid price. The Trustee may obtain a prior determination from any such bankruptcy trustee, receiver or liquidator that the terms and manner of any proposed Disposition are commercially reasonable. The provisions of Sections 9.1 and 9.2 shall not be deemed to be mutually exclusive.

(b) The proceeds from the Disposition pursuant to subsection (a) above shall be treated as Collections on the Receivables and shall be allocated and deposited in accordance with the provisions of Article IV; PROVIDED, HOWEVER that the proceeds from a Disposition with respect to a Series shall be applied solely to make pay-

ments to such Series; PROVIDED, FURTHER, that the Trustee shall determine conclusively in its sole discretion the amount of such proceeds which are allocable to Finance Charge Collections and the amount of such proceeds which are allocable to Collections of Principal Receivables. Unless the Trustee receives written instructions from Investor Certificateholders of one or more Series to continue the Trust with respect to such Series as provided in subsection 9.2(a) above, on the day following the last Distribution Date in the Monthly Period during which such proceeds are distributed to the Investor Certificateholders of each Series, the Trust shall terminate.

(c) The Trustee may appoint an agent or agents to assist with its responsibilities pursuant to this Article IX with respect to competitive bids.

[End of Article IX]

ARTICLE X

SERVICER DEFAULTS

Section 10.1 SERVICER DEFAULTS. If any one of the following events (a "Servicer Default") shall occur and be continuing:

(a) any failure by the Servicer to make any payment, transfer or deposit or to give instructions or notice to the Trustee pursuant to Article IV or to instruct the Trustee to make any required drawing, withdrawal, or payment under any Enhancement on or before the date occurring five Business Days after the date such payment, transfer, deposit, withdrawal or drawing or such instruction or notice is required to be made or given, as the case may be, under the terms of this Agreement; PROVIDED, HOWEVER, that any such failure caused by a non- willful act of the Servicer shall not constitute a Servicer Default if the Servicer promptly remedies such failure within five Business Days after receiving notice of such failure or otherwise becoming aware of such failure;

(b) failure on the part of the Servicer duly to observe or perform in any respect any other covenants or agreements of the Servicer set forth in this Agree-

ment, which has a material adverse effect on the Investor Certificateholders of any Series 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 Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 50% of the Invested Amount of any Series materially adversely affected thereby and continues to materially adversely affect such Investor Certificateholders for such period; or the Servicer shall delegate its duties under this Agreement, except as permitted by Section 8.7;

(c) any representation, warranty or certification made by the Servicer in this Agreement or in any certificate delivered pursuant to this Agreement shall prove to have been incorrect when made, which has a material adverse effect on the Investor Certificateholders of any Series and 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 Servicer by the Trustee, or to the Servicer and the Trustee by the Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 50% of the Invested Amount of any Series materially adversely affected thereby and continues to materially adversely affect such Investor Certificateholders for such period; or

(d) the Servicer shall consent to the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Servicer or of or relating to all or substantially all of its property, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer, and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days; or the Servicer shall admit in writing its inability to pay its debts generally as they

become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make any assignment for the benefit of its creditors or voluntarily suspend payment of its obligations;

then, so long as such Servicer Default shall not have been remedied, either the Trustee, or the Holders of Investor Certificates evidencing Undivided Interests aggregating more than 50% of the Aggregate Invested Amount, by notice then given in writing to the Servicer (and to the Trustee if given by the Investor Certificateholders) (a "Termination Notice"), may terminate all of the rights and obligations of the Servicer as Servicer under this Agreement. The Servicer agrees that promptly after it receives such Termination Notice, the Servicer will at its own expense deliver to the Trustee or to the bailee of the Trustee a computer file or microfiche list containing a true and complete list of all Accounts, identified by account number and setting forth the Outstanding Balance of each Receivable as of the date of receipt of such Termination Notice. After receipt by the Servicer of such Termination Notice, and on the date that a Successor Servicer shall have been appointed by the Trustee pursuant to Section 10.2, all authority and power of the Servicer under this Agreement shall pass to and be vested in a Successor Servicer; and, without limitation, the Trustee is hereby authorized and empowered (upon the failure of the Servicer to cooperate) to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments upon the failure of the Servicer to execute or deliver such documents or instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights and obligations. The Servicer agrees to cooperate with the Trustee and such Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing hereunder including, without limitation, the transfer to such Successor Servicer of all authority of the Servicer to service the Receivables provided for under this Agreement, including, without limitation, all authority over all Collections which shall on the date of transfer be held by the Servicer for deposit, or which have been deposited by the Servicer, in the Collection Account, the Excess Funding Account, the Interest Funding Account or the Principal Account, and any Series Account, or which shall thereafter be

received with respect to the Receivables. The Servicer shall promptly transfer its electronic records or electronic copies thereof relating to the Receivables to the Successor Servicer in such electronic form as the Successor Servicer may reasonably request and shall promptly transfer to the Successor Servicer all other records, correspondence and documents necessary for the continued servicing of the Receivables in the manner and at such times as the Successor Servicer shall reasonably request. To the extent that compliance with this Section 10.1 shall require the Servicer to disclose to the Successor Servicer information of any kind which the Servicer reasonably deems to be confidential, the Successor Servicer shall be required to enter into such customary licensing and confidentiality agreements as the Servicer shall deem necessary to protect its interests. The Servicer shall, on the date of any servicing transfer,

transfer all of its rights and obligations under the Enhancement with respect to any Series to the Successor Servicer. In connection with any service transfer, all reasonable costs and expenses (including attorneys' fees) incurred in connection with transferring the records, correspondence and other documents with respect to the Receivables and the other Trust Property to the Successor Servicer and amending this Agreement to reflect such succession as Successor Servicer pursuant to this Section 10.1 and Section 10.2 shall be paid by the Servicer (unless the Trustee is acting as the Servicer on a temporary basis, in which case the original Servicer shall be responsible therefor) upon presentation of reasonable documentation of such costs and expenses.

Notwithstanding the foregoing, a delay in or failure of performance referred to in subsection 10.1(a) for a period of five Business Days or under subsection 10.1(b) or (c) for a period of 60 Business Days, shall not constitute a Servicer Default if such delay or failure could not be prevented by the exercise of reasonable diligence by the Servicer and such delay or failure was caused by an act of God or the public enemy, acts of declared or undeclared war, public disorder, rebellion, riot or sabotage, epidemics, landslides, lightning, fire, hurricanes, tornadoes, earthquakes, nuclear disasters or meltdowns, floods, power outages, bank closings, communications outages, computer failure or similar causes. The preceding sentence shall not relieve the Servicer from using its best efforts to perform its obligations in a

timely manner in accordance with the terms of this Agreement and the Servicer shall provide the Trustee, any Enhancement Provider, the Transferor and the Holders of Investor Certificates with an Officer's Certificate giving prompt notice of such failure or delay by it, together with a description of the cause of such failure or delay and its efforts so to perform its obligations.

Section 10.2 TRUSTEE TO ACT; APPOINTMENT OF SUCCESSOR.

(a) On and after the receipt by the Servicer of a Termination Notice pursuant to Section 10.1, the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Termination Notice or as otherwise specified by the Trustee in writing or, if no such date is specified in such Termination Notice, or otherwise specified by the Trustee, until a date mutually agreed upon by the Servicer and Trustee. The Trustee shall notify each Rating Agency of such removal of the Servicer. The Trustee shall, as promptly as possible after the giving of a Termination Notice, appoint a successor servicer (the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Trustee. If such Successor Servicer is unable to accept such appointment, the Trustee may obtain bids from any potential successor servicer (which may be in excess of the Servicing Fee specified in any Supplement). If the Trustee is unable to obtain any bids from any potential successor servicer and the Servicer delivers an Officer's Certificate to the effect that it cannot in good faith cure the Servicer Default which gave rise to a transfer of servicing, and if the Trustee is legally unable to act as Successor Servicer, then the Trustee shall notify each Enhancement Provider of the proposed sale of the Receivables and shall provide each such Enhancement Provider an opportunity to bid on the Receivables and shall offer the Transferor the right of first refusal to purchase the Receivables on terms equivalent to the best purchase offer as determined by the Trustee, but in no event less than an amount equal to the Aggregate Invested Amount on the date of such purchase PLUS all interest accrued but unpaid on all of the outstanding Investor Certificates at the applicable Certificate Rate through the date of such purchase; PROVIDED, HOWEVER, that no such purchase by the Transferor shall occur un-

less the Transferor shall deliver an Opinion of Counsel reasonably acceptable to the Trustee that such purchase would not constitute a fraudulent conveyance of the Transferor. The proceeds of such sale shall be deposited in the Distribution Account or any Series Account, as provided in the related Supplement, for distribution to the Investor Certificateholders of each outstanding Series pursuant to Section 12.3 of the Agreement. In the event that a Successor Servicer has not been appointed and has not accepted its appointment at the time when the Servicer ceases to act as Servicer, the Trustee without further action shall automatically be appointed the Successor Servicer (but shall have

continued authority, to appoint another Person as Successor Servicer). The Trustee may delegate any of its servicing obligations to an affiliate or agent of the Trustee in accordance with Article III hereof. Any such delegations shall not relieve the Trustee of its liability and responsibility with respect to such duties. Notwithstanding the above, the Trustee shall, if it is legally unable to act, petition a court of competent jurisdiction to appoint any established financial institution having, in the case of a Person that is subject to risk-based capital adequacy requirements, risk-based capital of at least $50,000,000 or, in the case of a Person that is not subject to risk-based capital requirements, having a net worth of not less than $50,000,000 and whose regular business includes the servicing of credit card receivables as the Successor Servicer hereunder.

(b) Upon its appointment, the Successor Servicer shall be the successor in all respects to the Servicer with respect to servicing functions under this 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. Any Successor Servicer, by its acceptance of its appointment, will automatically agree to be bound by the terms and provisions of each Enhancement.

(c) In connection with such appointment and assumption, the Trustee shall be entitled to such compensation, or may make such arrangements for the compensation of the Successor Servicer out of Collections, as it and such Successor Servicer shall agree; PROVIDED, HOWEV-

ER, that no such compensation shall be in excess of the Servicing Fee permitted to the Servicer pursuant to Section 3.2. The Transferor agrees that if the Servicer is terminated hereunder, it will agree to deposit a portion of the Collections in respect of Finance Charge Receivables that it is entitled to receive pursuant to Article IV to pay its ratable share of the compensation of the Successor Servicer.

(d) All authority and power granted to the Successor Servicer under this Agreement shall automatically cease and terminate upon termination of the Trust pursuant to Section 12.1 and shall pass to and be vested in the Transferor and, without limitation, the Transferor is hereby authorized and empowered to execute and deliver, on behalf of the Successor Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights. The Successor Servicer agrees to cooperate with the Transferor in effecting the termination of the responsibilities and rights of the Successor Servicer to conduct servicing on the Receivables. The Successor Servicer shall transfer its electronic records relating to the Receivables to the Transferor in such electronic form as the Transferor may reasonably request and shall transfer all other records, correspondence and documents to the Transferor in the manner and at such times as the Transferor shall reasonably request. To the extent that compliance with this Section 10.2 shall require the Successor Servicer to disclose to the Transferor information of any kind which the Successor Servicer deems to be confidential, the Transferor shall be required to enter into such customary licensing and confidentiality agreements as the Successor Servicer shall deem necessary to protect its interests.

Section 10.3 NOTIFICATION TO CERTIFICATEHOLDERS. Within two Business Days after the Servicer becomes aware of any Servicer Default, the Servicer shall give prompt written notice thereof to the Trustee and any Enhancement Provider and, upon receipt of such written notice, the Trustee shall give notice to the Investor Certificateholders at their respective addresses appearing in the Certificate Register. Upon any termination or appointment of a Successor Servicer pursuant to this Article X, the Trustee shall give prompt written notice

thereof to Investor Certificateholders at their respective addresses appearing in the Certificate Register.

Section 10.4 WAIVER OF PAST DEFAULTS. The Holders of Investor

Certificates evidencing Undivided Interests aggregating not less than 66-2/3% of the Invested Amount of each Series materially adversely affected by any default by the Servicer or Transferor may, on behalf of all Certificateholders of such Series, waive any default by the Servicer or Transferor in the performance of their respective obligations hereunder and its consequences, except a default in the failure to make any required deposits or payments of interest or principal relating to such Series pursuant to Article IV, which default does not result from the failure of the Paying Agent to perform its obligations to make any required deposits or payments of interest and principal in accordance with Article IV. Upon any such waiver of a past default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

[End of Article X]

ARTICLE XI

THE TRUSTEE

Section 11.1 DUTIES OF TRUSTEE.

(a) The Trustee, prior to the occurrence of any Servicer Default of which a Responsible Officer of the Trustee has knowledge and after the curing of all Servicer Defaults which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or duties shall be read into this Agreement against the Trustee. If a Responsible Officer has received written notice that a Servicer Default has occurred (and such Servicer Default has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in its exercise, as a prudent person

would exercise or use under the circumstances in the conduct of such person's own affairs; PROVIDED, HOWEVER, that if the Trustee shall assume the duties of the Servicer pursuant to Section 8.5 or 10.2, the Trustee in performing such duties shall use the degree of skill and attention customarily exercised by a servicer with respect to comparable receivables that it services for itself or others.

(b) The Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Trustee which are specifically required to be furnished pursuant to any provision of this Agreement, shall examine them to determine whether they substantially conform to the requirements of this Agreement. The Trustee shall retain all such items for at least one year after receipt and shall make such items available for inspection by any Investor Certificateholder at the Corporate Trust Office, such inspection to be made during regular business hours and upon reasonable prior notice to the Trustee.

(c) Subject to subsection 11.1(a), no provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own misconduct; PROVIDED, HOWEVER, that:

(i) the Trustee shall not be personally liable for an error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(ii) the Trustee shall not be personally liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the Holders of Investor Certificates evidencing Undivided Interests aggregating more than 50% of the Invested Amount of any Series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to such Series, or exercising any trust or power conferred upon the Trustee with respect to such Series, under this Agreement; and

(iii) the Trustee shall not be charged with knowledge of any failure by the Servicer referred to in clauses (a) and (b) of Section 10.1 or of any breach by the Servicer contemplated by clause (c) of Section 10.1 or any Pay Out Event unless a Responsible Officer of the Trustee obtains actual knowledge of such failure, breach or Pay Out Event or the Trustee receives written notice of such failure, breach or Pay Out Event from the Servicer or any Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 10% of the Invested Amount of any Series adversely affected thereby.

(d) The Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, and none of the provisions contained in this Agreement shall in any event require the Trustee to perform, or be responsible for the manner of performance of, any of the obligations of the Servicer under this Agreement except during such time, if any, as the Trustee shall be the successor to, and be vested with the rights, duties, powers and privileges of, the Servicer in accordance with the terms of this Agreement.

(e) Except for actions expressly authorized by this Agreement, the Trustee shall take no action reasonably likely to impair the interests of the Trust in any Receivable now existing or hereafter created or to impair the value of any Receivable now existing or hereafter created.

(f) Except as provided in this Agreement, the Trustee shall have no power to vary the corpus of the Trust.

(g) If to the knowledge of a Responsible Officer of the Trustee, the Paying Agent or the Transfer Agent and Registrar shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the Paying Agent or the Transfer Agent and Registrar, as the case may be, under this Agreement,

the Trustee shall be obligated promptly upon its obtaining knowledge thereof by a Responsible Officer of the Trustee to perform such obligation, duty or agreement in the manner so required.

(h) If the Transferor has agreed to transfer any of its credit card receivables (other than the Receivables) to another Person, upon the written request of the Transferor, the Trustee on behalf of the Trust will enter into such intercreditor agreements with the transferee of such receivables as are customary and necessary to identify separately the rights, if any, of the Trust and such other Person in the Transferor's credit card receivables; PROVIDED, HOWEVER, that the Trust shall not be required to enter into any intercreditor agreement which could adversely affect the interests of the Certificateholders or the Trustee and, upon the request of the Trustee, the Transferor will deliver an Opinion of Counsel on any matters relating to such intercreditor agreement, reasonably requested by the Trustee.

Section 11.2 CERTAIN MATTERS AFFECTING THE TRUSTEE. Except as otherwise provided in Section 11.1:

(a) the Trustee may rely on and shall be protected in acting on, or in refraining from acting in accordance with, any assignment of Receivables in Supplemental Accounts, the initial report, the Daily Report, the Settlement Statement, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee, the monthly Certificateholder's statement, any resolution, Officer's Certificate, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented to it pursuant to this Agreement by the proper party or parties;

(b) the Trustee may consult with counsel, and any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such Opinion of Counsel;

(c) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by

this Agreement or any Enhancement, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any of the Certificateholders or any Enhancement Provider, pursuant to the provisions of this Agreement, unless such Certificateholders or Enhancement Provider shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligations, upon the occurrence of any Servicer Default (which has not been cured or waived) of which a Responsible Officer of the Trustee has knowledge, to exercise such of the rights and powers vested in it by this Agreement and any Enhancement, and to use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs;

(d) the Trustee shall not be personally liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(e) the Trustee shall not be bound to make any investigation into the facts of matters stated in, or to verify the accuracy of, any assignment of Receivables in Supplemental Accounts, the initial report, the Daily Report, the Settlement Statement, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee, the monthly Certificateholders statement, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing so to do by Holders of Investor Certificates evidencing Undivided Interests aggregating more than 50% of the Invested Amount of any Series which could be adversely affected if the Trustee does not perform such acts;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian, and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent, attorney or custodian appointed with due care by it hereunder;

(g) except as may be required by subsection 11.1(a), the Trustee shall not be required to make any initial or periodic examination of any documents or records related to the Receivables or the Accounts for the purpose of establishing the presence or absence of defects, the compliance by the Transferor with its representations and warranties or for any other purpose;

(h) whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate; and

(i) the right of the Trustee to perform any discretionary act enumerated in this Agreement or any Supplement shall not be construed as a duty, and the Trustee shall not be answerable for performance of any such act.

Section 11.3 TRUSTEE NOT LIABLE FOR RECITALS IN CERTIFICATES. The Trustee assumes no responsibility for the correctness of the recitals contained herein and in the Certificates (other than the certificate of authentication on the Certificates). Except as set forth in Section 11.14, the Trustee makes no representations as to the validity or sufficiency of this Agreement or of the Certificates (other than the certificate of authentication

on the Certificates) or of any Receivable or related document. The Trustee shall not be accountable for the use or application by the Transferor of any of the Certificates or of the proceeds of such Certificates, or for the use or application of any funds paid to the Transferor in respect of the Receivables or deposited in or withdrawn from the Collection Account, the Excess Funding Account, the Principal Account or the Interest Funding Account, or any Series Account or other accounts now or hereafter established to effectuate the transactions contemplated herein and in accordance with the terms hereof. The Trustee shall have no responsibility for filing any financing or continuation statement in any public office at any time or to otherwise perfect or maintain the perfection of any security interest or Lien granted to it hereunder (unless the Trustee shall have become the Successor Servicer) or to prepare or file any

Securities and Exchange Commission filing for the Trust or to record this Agreement or any Supplement.

Section 11.4 THE SERVICER TO PAY TRUSTEE'S FEES AND EXPENSES. The Servicer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by the Trustee in the execution of the trust hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, and, subject to Section 8.4, the Servicer will pay or reimburse the Trustee (without reimbursement from any Investor Account, any Series Account or otherwise) upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Agreement (including the reasonable fees and expenses of its agents and counsel) except any such expense, disbursement or advance as may arise from its own negligence or bad faith and except as provided in the following sentence. If the Trustee is appointed Successor Servicer pursuant to Section 10.2, the provisions of this Section 11.4 shall not apply to expenses, disbursements and advances made or incurred by the Trustee in its capacity as Successor Servicer (which shall be covered out of the Servicing Fee).

The obligations of the Servicer under this Section 11.4 shall survive the termination of the Trust and the resignation or removal of the Trustee.

Section 11.5 ELIGIBILITY REQUIREMENTS FOR TRUSTEE. The Trustee hereunder shall at all times be (a) a corporation organized and doing business under the laws of the United States of America or any state thereof authorized under such laws to exercise corporate trust powers, having a long-term unsecured debt rating of at least Baa3 by Moody's and BBB- by Standard & Poor's having, in the case of a Person that is subject to risk-based capital adequacy requirements, risk-based capital of at least $50,000,000 or, in the case of a Person that is not subject to risk-based capital adequacy requirements, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority and (b) not be a Related

Person. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section 11.5, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.5, the Trustee shall resign immediately in the manner and with the effect specified in Section 11.6.

Section 11.6 RESIGNATION OR REMOVAL OF TRUSTEE.

(a) The Trustee may at any time resign and be discharged from the Trust hereby created by giving written notice thereof to the Servicer. Upon receiving such notice of resignation, the Servicer shall promptly appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the

successor trustee. If no successor trustee shall have been so appointed and have accepted such appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

(b) If at any time the Trustee shall cease to be eligible in accordance with the provisions of Section 11.5 hereof and shall fail to resign after written request therefor by the Transferor, or if at any time the Trustee shall be legally unable to act, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Transferor may, but shall not be required to, remove the Trustee and promptly appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee.

(c) If (i) the Trustee shall fail to perform any of its obligations hereunder, (ii) a Certificateholder shall have delivered written notice of such failure to

the Trustee, and (iii) the Trustee shall not have corrected such failure for 60 days thereafter, then the Holders of Investor Certificates representing more than 50% of the Invested Amount shall have the right to remove the Trustee and (with the consent of the Transferor, which shall not be unreasonably withheld) promptly appoint a successor trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 11.6 shall not become effective until acceptance of appointment by the successor trustee as provided in Section 11.7 hereof and any liability of the Trustee arising hereunder shall survive such appointment of a successor trustee. Notice of any resignation or removal of the Trustee and appointment of a successor trustee shall be provided promptly to each Rating Agency by the Servicer.

Section 11.7 SUCCESSOR TRUSTEE.

(a) Any successor trustee appointed as provided in Section 11.6 hereof shall execute, acknowledge and deliver to the Transferor and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with the like effect as if originally named as Trustee herein. The predecessor Trustee shall deliver to the successor trustee all documents and statements held by it hereunder, and the Transferor and the predecessor Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor trustee all such rights, powers, duties and obligations.

(b) No successor trustee shall accept appointment as provided in this Section 11.7 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 11.5 hereof.

(c) Upon acceptance of appointment by a successor trustee as provided in this Section 11.7, such successor trustee shall mail notice of such succession hereunder to all Certificateholders at their addresses as shown in the Certificate Register.

Section 11.8 MERGER OR CONSOLIDATION OF TRUSTEE. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be

eligible under the provisions of Section 11.5 hereof, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 11.9 APPOINTMENT OF CO-TRUSTEE OR SEPARATE TRUSTEE.

(a) Notwithstanding any other provisions of this Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust, and to vest in such Person or Persons, in such capacity and for the benefit of the Certificateholders, such title to the Trust, or any part thereof, and, subject to the other provisions of this Section 11.9, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 11.5 and no notice to Certificateholders of the appointment of any co-trustee or separate trustee shall be required under Section 11.7 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any laws of any jurisdiction in which any particular act or acts are to be performed (whether as Trustee hereunder or as successor to the Servicer hereunder), the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Agreement and the conditions of this Article XI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Agreement, specifically including every provision of this Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Servicer.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee as its agent or attorney-in-fact with full power and authority, to the extent not

prohibited by law, to do any lawful act under or in respect to this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates,

properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 11.10 TAX RETURNS. Consistent with Section 3.7, the Trustee shall not file any Federal tax returns on behalf of the Trust; PROVIDED, HOWEVER, that if a Class of Certificates is issued that would be characterized as an equity interest in a partnership for U.S. federal income tax purposes, partnership information returns shall be prepared and signed by the Transferor, as general partner. In the event the Trust shall be required to file tax returns, the Servicer shall at its expense prepare or cause to be prepared any tax returns required to be filed by the Trust and, to the extent possible, shall remit such returns to the Trustee for signature at least five days before such returns are due to be filed. The Trustee is hereby authorized to sign any such return on behalf of the Trust. The Servicer shall prepare or shall cause to be prepared all tax information required by law to be distributed to Certificateholders and shall deliver such information to the Trustee at least five days prior to the date it is required by law to be distributed to Certificateholders. The Trustee, upon request, will furnish the Servicer with all such information known to the Trustee as may be reasonably required in connection with the preparation of all tax returns of the Trust and shall, upon request, execute such return. In no event shall the Trustee or the Servicer be liable for any liabilities, costs or expenses of the Trust, the Investor Certificateholders or the Certificate Owners arising under any tax law, including without limitation federal, state, local or foreign income or excise taxes or any other tax imposed on or measured by income (or any interest or penalty with respect thereto or arising from a failure to comply therewith).

Section 11.11 TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF CERTIFICATES. All rights of action end claims under this Agreement or any Series of Certificates may be prosecuted and enforced by the Trustee without the

possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of any Series of Certificateholders in respect of which such judgment has been obtained.

Section 11.12 SUITS FOR ENFORCEMENT. If a Servicer Default of which a Responsible Officer of the Trustee has knowledge shall occur and be continuing, the Trustee, in its discretion may, subject to the provisions of Section 10.1, proceed to protect and enforce its rights and the rights of any Series of Certificateholders under this Agreement by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the execution of any power granted in this Agreement or for the enforcement of any other legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or any Series of Certificateholders.

Section 11.13 RIGHTS OF CERTIFICATEHOLDERS TO DIRECT TRUSTEE. Holders of Investor Certificates evidencing Undivided Interests aggregating more than 50% of the Aggregate Invested Amount (or, with respect to any remedy, trust or power that does not relate to all Series, 50% of the aggregate Invested Amount of the Investor Certificates of all Series to which such remedy, trust or power relates) shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; PROVIDED, HOWEVER, that Holders of Investor Certificates aggregating more than 50% of the aggregate Invested Amount of any Class may direct the Trustee to exercise its rights under Section 8.6; PROVIDED, FURTHER, that, subject to Section 11.1, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Trustee in good faith shall, by a Responsible Officer or Responsible Officers of the Trustee, determine that the proceedings so directed would

be illegal or involve it in personal liability or be unduly prejudicial to the rights of Certificateholders not parties to such direction; and PROVIDED, FURTHER that nothing in this Agreement shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not inconsistent with such direction of such Holders of Investor Certificates.

Section 11.14 REPRESENTATIONS AND WARRANTIES OF TRUSTEE. The Trustee represents and warrants that:

(i) the Trustee is a New York banking corporation organized, existing and authorized to engage in the business of banking under the laws of the State of New York;

(ii) the Trustee is a Person that satisfies the eligibility requirements of Section 11.5;

(iii) the Trustee has full power, authority and right to execute, deliver and perform this Agreement, and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement; and

(iv) this Agreement has been duly executed and delivered by the Trustee and constitutes a legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium 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 suit at law or in equity).

Section 11.15 MAINTENANCE OF OFFICE OR AGENCY. The Trustee will maintain at its expense an office or offices, or agency or agencies, where notices and demands to or upon the Trustee in respect of the Certificates and this Agreement may be served. The Trustee initially appoints its Corporate Trust Office as its office for such purposes. The Trustee will give prompt written notice to the Servicer and to Certificateholders (or in the case of Holders of Bearer Certificates, in the manner

provided for in the related Supplement) of any change in the location of the Certificate Register or any such office or agency.

Section 11.16 TRUSTEE MAY OWN CERTIFICATES. The Trustee in its individual or any other capacity may become the owner or pledgee of Investor Certificates and may deal with the Transferor, the Servicer or any Enhancement Provider with the same rights as it would have if it were not the Trustee. The Trustee in its capacity as Trustee shall exercise its duties and responsibilities hereunder independent of and without reference to its investment, if any, in Investor Certificates.

[End of Article XI]

ARTICLE XII

TERMINATION

Section 12.1 TERMINATION OF TRUST.

(a) The respective obligations and responsibilities of the Transferor, the Servicer and the Trustee created hereby (other than the obligation of the Trustee to make payments to Certificate holders as hereafter set forth) shall terminate, except with respect to the duties described in Section 8.4 and 11.5 and subsection 2.4(c) and 12.3(b), on the Trust Termination Date; PROVIDED, HOWEVER, that the Trust shall not terminate on the date specified in clause (i) of the definition of "Trust Termination Date" if each of the Servicer and the Holder of the Exchangeable Transferor Certificate notify the Trustee in writing, not later than five Business Days preceding such date, that they desire that the Trust not terminate on such date, which notice (such notice, a "Trust Extension") shall specify the date on which the Trust shall

terminate (such date, the "Extended Trust Termination Date"); PROVIDED, HOWEVER, that the Extended Trust Termination Date shall be not later than the expiration of 21 years from the death of the last survivor of the descendants of Ronald W. Tysoe, living on the date of this Agreement. The Servicer and the Holder of the Exchangeable Transferor Certificate may, on any date following the Trust Extension, so long as no Series of Cert-

ificates is outstanding, deliver a notice in writing to the Trustee changing the Extended Trust Termination Date.

(b) In the event that (i) the Trust has not terminated by the last Distribution Date occurring in the second month preceding the Trust Termination Date, and (ii) the Invested Amount of any Series, exclusive of any Transferor Retained Class (after giving effect to all transfers, withdrawals, deposits and drawings to occur on such date and the payment of principal on any Series of Certificates to be made on the related Distribution Date during such month pursuant to Article IV) would be greater than zero, the Servicer shall sell within 30 days after such Transfer Date an amount of Receivables up to the remaining Invested Amount if it can do so in a commercially reasonable manner. The Servicer shall notify each Enhancement Provider of the proposed sale of the Receivables and shall provide each Enhancement Provider an opportunity to bid on the Receivables. The Transferor shall have the right of first refusal to purchase the Receivables on terms equivalent to the best purchase offer. The proceeds of any such sale shall be treated as Collections on the Receivables and shall be allocated and deposited in accordance with Article IV; PROVIDED, HOWEVER, that the Servicer shall determine conclusively in its sole discretion the amount of such proceeds which are allocable to Finance Charge Collections and the amount of such proceeds which are allocable to Collections of Principal Receivables. During such thirty-day period, the Servicer shall continue to collect payments on the Receivables and allocate and deposit such payments in accordance with the provisions of Article IV.

(c) In the event that the Invested Amount with respect to any Series is greater than zero on its Series Termination Date or such earlier date as is specified in the related Supplement (after giving effect to deposits and distributions otherwise to be made on such date), the Trustee will request the Servicer to sell, and the Servicer will sell or cause to be sold on such Series Termination Date, in accordance with the procedures and subject to the conditions described in such Supplement, Principal Receivables and the related Finance Charge Receivables (or, if an Opinion of Counsel that such sale will not have a material adverse effect on the characterization of the Certificates for U.S. federal income tax purposes is obtained, interests therein) in an amount up

to 110% of the Invested Amount with respect to such Series on such date (after giving effect to such deposits and distributions; PROVIDED, HOWEVER, that in no event shall such amount exceed an amount of Principal Receivables (and all associated Finance Charge Receivables) equal to the sum of (i) the product of (A) the Transferor's Percentage, (B) the aggregate outstanding Principal Receivables, and (C) a fraction the numerator of which is the related Investor Percentage of Collections of Finance Charge Receivables and the denominator of which is the sum of all Investor Percentages with respect to Collections of Finance Charge Receivables of all Series outstanding and (ii) the Invested Amount of such Series). The proceeds from any such sale shall be allocated and distributed in accordance with the terms of the applicable Supplement.

Section 12.2 OPTIONAL TERMINATION. (a) If so provided in any Supplement, the Transferor may, but shall not be obligated to, cause a final distribution to be made in respect of the related Series of Certificates on a Distribution Date specified in such Supplement by depositing into the Distribution Account or the applicable Series Account, not later than the Transfer Date preceding such Distribution Date, for application in accordance with Section 12.3, the amount specified in such Supplement.

(b) The amount deposited pursuant to subsection 12.2(a) shall be paid to the Investor Certificateholders of the related Series pursuant to Section 12.3 on the related Distribution Date following the date of such

deposit. All Certificates of a Series with respect to which a final distribution has been made pursuant to subsection 12.2(a) shall be delivered by the Holder to, and be canceled by, the Transfer Agent and Registrar and be disposed of in a manner satisfactory to the Trustee and the Transferor. The Invested Amount of each Series with respect to which a final distribution has been made pursuant to subsection 12.2(a) shall, for the purposes of the definition of "Transferor Amount," be deemed to be equal to zero on the Distribution Date following the making of the deposit, and the Transferor Amount shall thereupon be deemed to have been increased by the Invested Amount of such Series.

Section 12.3 FINAL PAYMENT WITH RESPECT TO ANY SERIES.

(a) Written notice of any termination, specifying the Distribution Date upon which the Investor Certificateholders of any Series may surrender their Certificates for payment of the final distribution with respect to such Series and cancellation, shall be given (subject to at least four Business Days' prior notice from the Servicer to the Trustee) by the Trustee to Investor Certificateholders of such Series mailed not later than the fifth day of the month of such final distribution (or in the manner provided by the Supplement relating to such Series) specifying (i) the Distribution Date (which shall be the Distribution Date in the month (x) in which the deposit is made pursuant to subsection 2.4(d), 9.2(a), 10.2(a), or 12.2(a) of the Agreement or such other section as may be specified in the related Supplement, or (y) in which the related Series Termination Date occurs) upon which final payment of such Investor Certificates will be made upon presentation and surrender of such Investor Certificates at the office or offices therein designated (which, in the case of Bearer Certificates, shall be outside the United States), (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Distribution Date is not applicable, payments being made only upon presentation and surrender of the Investor Certificates at the office or offices therein specified. The Servicer's notice to the Trustee in accordance with the preceding sentence shall be accompanied by an Officers' Certificate setting forth the information specified in Article V of this Agreement covering the period during the then current calendar year through the date of such notice and setting forth the date of such final distribution. The Trustee shall give such notice to the Transfer Agent and Registrar and the Paying Agent at the time such notice is given to such Investor Certificateholders.

(b) Notwithstanding the termination of the Trust pursuant to subsection 12.1(a) or the occurrence of the Series Termination Date with respect to any Series, all funds then on deposit in the Excess Funding Account, the Interest Funding Account, the Principal Account, the Distribution Account or any Series Account applicable to the related Series shall continue to be held in trust for the benefit of the Certificateholders of the related

Series and the Paying Agent or the Trustee shall pay such funds to the Certificateholders of the related Series upon surrender of their Certificates (which surrenders and payments, in the case of Bearer Certificates, shall be made only outside the United States). In the event that all of the Investor Certificateholders of any Series shall not surrender their Certificates for cancellation within six months after the date specified in the above-mentioned written notice, the Trustee shall give a second written notice (or, in the case of Bearer Certificates, publication notice) to the remaining Investor Certificateholders of such Series upon receipt of the appropriate records from the Transfer Agent and Registrar to surrender their Certificates for cancellation and receive the final distribution with respect thereto. If within one and one half years after the second notice with respect to a Series, all the Investor Certificates of such Series shall not have been surrendered for cancellation, the Trustee may take appropriate steps or may appoint an agent to take appropriate steps, to contact the remaining Investor Certificateholders of such Series concerning surrender of their Certificates, and the cost thereof shall be paid out of the funds in the Distribution Account or any Series Account held for the benefit of such Investor Certificateholders. The Trustee and the Paying Agent shall pay to the Transferor upon request any monies held by them for the payment of principal or interest which remains unclaimed for two years. After payment to the Transferor, Investor Certificateholders entitled to the

money must look to the Transferor for payment as general creditors unless an applicable abandoned property law designates another Person.

(c) All Certificates surrendered for payment of the final distribution with respect to such Certificates and cancellation shall be canceled by the Transfer Agent and Registrar and be disposed of in a manner satisfactory to the Trustee and the Transferor.

Section 12.4 TERMINATION RIGHTS OF HOLDER OF EXCHANGEABLE TRANSFEROR CERTIFICATE. Upon the termination of the Trust pursuant to Section 12.1, and after payment of all amounts due hereunder on or prior to such termination and the surrender of the Exchangeable Transferor Certificate, the Trustee shall execute a written reconveyance substantially in the form of Exhibit H pursuant to which it shall reconvey to the Holder of the

Exchangeable Transferor Certificate (without recourse, representation or warranty) all right, title and interest of the Trust in the Receivables, whether then existing or thereafter created, all moneys due or to become due with respect thereto (including all accrued interest theretofore posted as Finance Charge Receivables) allocable to the Trust pursuant to any Supplement, except for amounts held by the Trustee pursuant to subsection 12.3(b). The Trustee shall execute and deliver such instruments of transfer and assignment, in each case prepared by the Transferor and without recourse, representation or warranty (other than a warranty that such property is conveyed free and clear of any Lien of any Person claiming by or through the Trustee), as shall be reasonably requested by the Holder of the Exchangeable Transferor Certificate to vest in such Holder all right, title and interest which the Trust had in the Receivables and other Trust Property.

[End of Article XII]

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1 AMENDMENT.

(a) This Agreement (including any Supplement) may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Certificateholders, (i) to cure any ambiguity, to revise any exhibits or Schedules (other than Schedule 1), to correct or supplement any provisions herein or thereon which may be inconsistent with any other provisions herein or thereon or (ii) to add any other provisions with respect to matters or questions raised under this Agreement which shall not be inconsistent with the provisions of this Agreement; 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, this Agreement may be amended from time to time by the Servicer, the Transferor and the Trustee, without the consent of any of the Certificateholders, to add to or change any of the provisions of this 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 2.7.

This Agreement (including any 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

Certificateholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Holders of 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 any outstanding Series of Investor Certificates or any Certificate Owner 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 Investor Certificate of such Series without the consent of the related Investor 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 clause (b) 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 subclause (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 Code shall be deemed not to materially and adversely affect the interests of the Certificateholders.

(b) This Agreement and any 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 this 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 under this subsection 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 such Series without the consent of all of the related Investor Certificateholders; (ii) 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 (iii) reduce the aforesaid percentage required to consent to any such amendment, in each case without the consent of all such Investor Certificateholders.

(c) Notwithstanding anything in this Section 13.1 to the contrary, the Supplement with respect to any Series may be amended on the items and in accordance with the procedures provided in such Supplement.

(d) Promptly after the execution of any such amendment (other than an amendment pursuant to paragraph (a)), the Trustee shall furnish notification of the substance of such amendment to each Investor Certificateholder of each Series adversely affected and ten Business Days prior to the proposed effective date for such amendment the Servicer shall furnish notification of the sub-

stance of such amendment to each Rating Agency providing a rating for such Series.

(e) It shall not be necessary to obtain the consent of Investor Certificateholders under this Section 13.1 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Investor Certificateholders shall be subject to such reasonable requirements as the Trustee may prescribe.

(f) Any Supplement executed and delivered pursuant to Section 6.9 and any amendments regarding the addition or removal of Receivables to or from the Trust as provided in Sections 2.6 or 2.7, executed in accordance with the provisions hereof, shall not be considered amendments to this Agreement for the purpose of subsections 13.1(a) and (b).

(g) In connection with any amendment, the Trustee may request an Opinion of Counsel from the Transferor or Servicer to the effect that the amendment complies with all requirements of this Agreement. The Trustee may, but shall not be obligated to, enter into any amendment which affects the Trustee's rights, duties or immunities under this Agreement or otherwise.

Section 13.2 PROTECTION OF RIGHT, TITLE AND INTEREST TO TRUST.

(a) The Servicer shall cause this Agreement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the Certificateholders and the Trustee's right, title and interest to the Trust to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Certificateholders or the Trustee, as the case may be, hereunder to all property comprising the Trust. The Servicer shall deliver to the Trustee file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Transferor shall

cooperate fully with the Servicer in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this subsection 13.2(a).

(b) Within 30 days after the Transferor makes any change in its name, identity or corporate structure which would make any financing statement or continuation statement filed in accordance with paragraph (a) above materially misleading within the meaning of Section 9-402(7) of the UCC as in effect in the Relevant UCC State, the Transferor shall give the Trustee written notice of any such change and shall file such financing statements or amendments as may be necessary to continue the perfection of the Trust's security interest in the Receivables and the proceeds thereof.

(c) Each of the Transferor and the Servicer will give the Trustee prompt written notice of any relocation of any office from which it services Receivables or keeps records concerning the Receivables or of its principal executive office and whether, as a result of such relocation, the applicable provisions of the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement and shall file such financing statements or amendments as may be necessary to continue the perfection of the Trust's security interest in the Receivables and the proceeds thereof. Each of the Transferor and the Servicer will at all times maintain each office from which it services Receivables and its principal executive office within the United States of America.

(d) The Servicer will deliver to the Trustee: (i) upon each date that any Supplemental Accounts are to be included in the Accounts pursuant to subsection 2.6(c), an Opinion of Counsel substantially in the form of Exhibit F; and (ii) on or before March 31 of each year, beginning with March 31, 1998, an Opinion of Counsel, substantially in the form of Exhibit G.

Section 13.3 LIMITATION ON RIGHTS OF CERTIFICATEHOLDERS.

(a) The death or incapacity of any Investor Certificateholder shall not operate to terminate this Agreement or the Trust, nor shall such death or incapac-

ity entitle such Certificateholder's legal representatives or heirs to claim an accounting or to take any action or commence any proceeding in any court for a partition or winding up of the Trust, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

(b) No Investor Certificateholder shall have any right to vote (except with respect to the Investor Certificateholders as provided in Section 13.1 hereof) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Certificates, be construed so as to constitute the Certificateholders from time to time as members of an association; nor shall any Investor Certificateholder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

(c) No Certificateholder shall have any right by virtue of any provisions of this Agreement to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Agreement, unless such Certificateholder previously shall have given written notice to the Trustee, and unless the Holders of Certificates evidencing Undivided Interests aggregating more than 50% of the Invested Amount of any Series which may be adversely affected but for the institution of such suit, action or proceeding, shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding; it being understood and intended, and being expressly covenanted by each Certificateholder with every other Certificateholder and the Trustee, that no one or more Certificateholders shall have the right in any manner whatever by virtue or by availing itself or themselves of any provisions of this Agreement to affect, disturb or prejudice the rights of the Certificateholders of any other of the Certificates, or to obtain or seek to obtain priority over or preference to any other such Certificateholder,

or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Certificateholders. For the protection and enforcement of the provisions of this Section 13.3, each and every Certificateholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 13.4 GOVERNING LAW. THIS AGREEMENT 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 13.5 NOTICES. All demands, notices, instructions, directions and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or if sent by facsimile, courier or registered mail, return receipt requested, at the following addresses: (a) in the case of the Transferor, 9111 Duke Boulevard, Mason, Ohio 45040, Attention: President, with a copy to Federated at 7 West Seventh Street, Cincinnati, Ohio 45202, Attention: General Counsel and a copy to the Servicer at the address provided below, (b) in the case of the Servicer, 9111 Duke Boulevard, Mason, Ohio 45040, Attention: Chief Financial Officer with a copy to Federated at 7 West Seventh Street, Cincinnati, Ohio 45202, Attention: General Counsel, (c) in the case of the Trustee, the Corporate Trust Office, (d) in the case of the Enhancement Provider for a particular Series, the address, if any, specified in the Supplement relating to such Series and (e) in the case of the Rating Agency for a particular Series, the address, if any, specified in the Supplement relating to such Series; or, as to each party, such other address as shall be designated by such party in a written notice to each other party. Unless otherwise provided with respect to any Series in the related Supplement any notice required or permitted to be mailed to a Certificateholder shall be given by first class mail, postage prepaid, at the address of such Certificateholder as shown in the Certificate Register, or with respect to any notice required or permitted to be made to the Holders of Bearer Certificates, by publication in the manner provided in the related Supplement. If and so long as any Series or Class is listed on the Luxembourg Stock Exchange and such

Exchange shall so require, any Notice to Investor Certificateholders shall be published in an authorized newspaper of general circulation in Luxembourg within

the time period prescribed in this Agreement. Any notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Certificateholder receives such notice.

Section 13.6 SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Certificates or rights of the Certificateholders thereof.

Section 13.7 ASSIGNMENT. Notwithstanding anything to the contrary contained herein, except as provided in Section 8.2, this Agreement may not be assigned by the Servicer without the prior consent of Holders of Investor Certificates evidencing Undivided Interests aggregating not less than 66 2/3% of the Invested Amount of each Series on a Series by Series basis.

Section 13.8 CERTIFICATES NON-ASSESSABLE AND FULLY PAID. Except to the extent otherwise expressly provided in Section 7.4 with respect to the Transferor, it is the intention of the parties to this Agreement that the Certificateholders shall not be personally liable for obligations of the Trust, that the Undivided Interests represented by the Certificates shall be non-assessable for any losses or expenses of the Trust or for any reason whatsoever, and that Certificates upon authentication thereof by the Trustee pursuant to Sections 2.1 and 6.2 are and shall be deemed fully paid.

Section 13.9 FURTHER ASSURANCES. The Transferor and the Servicer agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Trustee more fully to effect the purposes of this Agreement, including, without limitation, the execution of any financing statements or continuation statements relating to the Receivables and the other Trust Property

for filing under the provisions of the UCC of any applicable jurisdiction.

Section 13.10 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Trustee, any Enhancement Provider or the Investor Certificateholders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 13.11 COUNTERPARTS. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

Section 13.12 THIRD-PARTY BENEFICIARIES. This Agreement will inure to the benefit of and be binding upon the parties hereto, the Certificateholders and, to the extent provided in the related Supplement, to the Enhancement Provider named therein, and their respective successors and permitted assigns. Except as otherwise provided in this Article XIII, no other Person will have any right or obligation hereunder.

Section 13.13 ACTIONS BY CERTIFICATEHOLDERS.

(a) Wherever in this Agreement a provision is made that an action may be taken or a notice, demand or instruction given by Investor Certificateholders, such action, notice or instruction may be taken or given by any Investor Certificateholder, unless such provision requires a specific percentage of Investor Certificateholders.

(b) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Certificateholder shall bind such Certificateholder and every subsequent holder of such Certificate issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof

in respect of anything done or omitted

to be done by the Trustee or the Servicer in reliance thereon, whether or not notation of such action is made upon such Certificate.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement or any Supplement to be given or taken by Certificateholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Certificateholders in person or by agent duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, when required, to the Transferor or the Servicer. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement or any Supplement and conclusive in favor of the Trustee, the Transferor and the Servicer, if made in the manner provided in this Section.

(d) The fact and date of the execution by any Certificateholder of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

Section 13.14 RULE 144A INFORMATION. For so long as any of the Investor Certificates of any Series or any Class are "restricted securities" within the meaning of Rule 144A(a)(3) under the Securities Act, each of the Transferor, the Servicer, the Trustee and the Enhancement Provider for such Series agree to cooperate with each other to provide to any Investor Certificateholders of such Series or Class and to any prospective purchaser of Certificates designated by such an Investor Certificateholder upon the request of such Investor Certificateholder or prospective purchaser, any information required to be provided to such holder or prospective purchaser to satisfy the condition set forth in Rule 144A(d)(4) under the Securities Act.

Section 13.15 MERGER AND INTEGRATION. Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agree-

ment. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

Section 13.16 HEADINGS. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

[End of Article XIII]

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this Pooling and Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

PRIME II RECEIVABLES CORPORATION,
Transferor

By: /S/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Chairman of the Board

FDS NATIONAL BANK,
Servicer

By: /S/ Susan R. Robinson

Name: Susan R. Robinson
Title: Treasurer

THE CHASE MANHATTAN BANK,
Trustee

By: /S/ Dennis Kildea

Name: Dennis Kildea
Title: Trust Officer

EXHIBIT A

FORM OF EXCHANGEABLE TRANSFEROR CERTIFICATE

No. 1 One Unit

PRIME CREDIT CARD MASTER TRUST II
ASSET BACKED CERTIFICATE

THIS CERTIFICATE WAS ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY BE SOLD ONLY PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER THE ACT OR AN EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE ACT. IN ADDITION, THE TRANSFER OF THIS CERTIFICATE IS SUBJECT TO RESTRICTIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN. A COPY OF THE POOLING AND SERVICING AGREEMENT WILL BE FURNISHED TO THE HOLDER OF THIS CERTIFICATE BY THE TRUSTEE UPON WRITTEN REQUEST.

THIS CERTIFICATE REPRESENTS AN

UNDIVIDED INTEREST IN THE

PRIME CREDIT CARD MASTER TRUST II

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 National Bank ("FDSNB" or the "Servicer") 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, Federated Department Stores, Inc., FDS National Bank or any Affiliate of either of them.)

This certifies that Prime II Receivables Corporation (the "Holder" or the "Transferor," as the context requires) 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 Receiv-

ables Corporation, as Transferor, FDS National Bank, as the Servicer, and The Chase Manhattan Bank as Trustee (the "Trustee"), as supplemented by each supplement thereto existing from time to time. The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property.

To the extent not defined herein, the capitalized terms used herein have the meanings assigned in the Pooling and Servicing Agreement. This Certificate 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 Holder by virtue of the acceptance hereof assents and by which the Holder is bound.

This Certificate has not been registered or qualified under the Act or any state securities law. No sale, transfer or other disposition of this Certificate shall be permitted other than in accordance with the provisions of Section 6.3, 6.9 or 7.2 of the Pooling and Servicing Agreement.

This Certificate is the Exchangeable Transferor Certificate (the "Certificate"), which represents an undivided interest in the Trust, including the right to receive the Collections and other amounts at the times and in the amounts specified in the Pooling and Servicing Agreement to be paid to the Holder of the Exchangeable Transferor Certificate. The aggregate interest represented by this Certificate at any time in the Principal Receivables in the Trust shall not exceed the Transferor Amount at such time. In addition to this Certificate, Series of Investor Certificates will be issued to investors pursuant to the Pooling and Servicing Agreement, each of which will represent an Undivided Interest in the Trust. This Certificate shall not represent any interest in the Investor Accounts or any Enhancement, except to the extent provided in the Pooling and Servicing Agreement. The Transferor Amount on any date of determination will be an amount equal to the aggregate amount of Principal Receivables at the end of the day immediately prior to such date of determination PLUS amounts on deposit in the Excess Funding Account (but not including any investment earnings thereon) MINUS the Aggregate Invested Amount at the end of such day.

The Servicer shall deposit all Collections in the Collection Account as promptly as possible after the Date of Processing of such Collections. Unless otherwise stated in any Supplement, throughout the existence of the Trust, the Servicer shall allocate to the Holder of the Certificate an amount equal to the product of (A) the Transferor Percentage and (B) the aggregate amount of such Collections allocated to Principal Receivables and Finance Charge Receivables, respectively, in respect of each Monthly Period. Notwithstanding the first sentence of this paragraph, the Servicer need not deposit this amount or any other amounts so allocated to the Certificate pursuant to the Pooling and Servicing Agreement into the Collection Account and shall pay, or be deemed to pay, such amounts as collected to the Holder of the Certificate.

FDS National Bank, or any permitted successor or assignee, as Servicer, is entitled to receive as servicing compensation a monthly servicing fee. The portion of the servicing fee which will be allocable to the Holder of the Certificate pursuant to the Pooling and Servicing Agreement will be payable by the Holder of the Certificate and neither the Trust nor the Trustee or the Investor Certificateholders will have any obligation to pay such portion of the servicing fee.

This Certificate does not represent a recourse obligation of, or any interest in, the Transferor or the Servicer. This Certificate is limited in right of payment to certain Collections respecting the Receivables, all as more specifically set forth hereinabove and in the Pooling and Servicing Agreement.

Upon the termination of the Trust pursuant to Section 12.1 of the Pooling and Servicing Agreement, the Trustee shall assign and convey to the Holder of the Certificate (without recourse, representation or warranty) all right, title and interest of the Trust in the Receivables, whether then existing or thereafter created, and all proceeds relating thereto. The Trustee shall execute and deliver such instruments of transfer and assignment, in each case without recourse, as shall be reasonably requested by the Holder of the Certificate to vest in such Holder all right, title and interest which the Trustee had in the Receivables.

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.

PRIME II RECEIVABLES CORPORATION

By:_____
Name:
Title:

Date:

CERTIFICATE OF AUTHENTICATION

This is the Exchangeable Transferor Certificate referred to in the within-mentioned Pooling and Servicing Agreement.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

EXHIBIT B

FORM OF ASSIGNMENT OF RECEIVABLES IN SUPPLEMENTAL ACCOUNTS

(As required by Subsection 2.6(e)(ii) of the Pooling and Servicing Agreement)

ASSIGNMENT NO. ___ OF RECEIVABLES IN SUPPLEMENTAL ACCOUNTS, dated as of _____ __, ____, by and between PRIME II RECEIVABLES CORPORATION, a corporation organized under the laws of the State of Delaware (the "Transferor"), to THE CHASE MANHATTAN BANK, a banking corporation organized and existing under the laws of the State of New York as Trustee (in such capacity, the "Trustee") pursuant to the Pooling and Servicing Agreement referred to below.

W I T N E S S E T H:

WHEREAS, the Transferor and the Trustee are parties to the Pooling and Servicing Agreement, dated as of January 22, 1997 (hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified, the "Pooling and Servicing Agreement") among the Transferor, FDS National Bank, as Servicer and the Trustee;

WHEREAS, pursuant to the Pooling and Servicing Agreement, the Transferor wishes to designate Supplemental Accounts to be included as Accounts and to convey the Receivables of such Supplemental Accounts, whether now existing or hereafter created, to the Trust as part of the corpus of the Trust (as each such term is defined in the Pooling and Servicing Agreement); and

WHEREAS, the Trustee is willing to accept such designation and conveyance subject to the terms and conditions hereof;

NOW, THEREFORE, the Transferor and the Trustee hereby agree as follows:

(1) DEFINED TERMS. All terms defined in the Pooling and

Servicing Agreement and used herein shall have such defined meanings when used herein, unless otherwise defined herein.

"ADDITION DATE" shall mean, with respect to the Supplemental Accounts designated hereby, _____, ____.

"NOTICE DATE" shall mean, with respect to the Supplemental Accounts designated hereby, _____, ____ (which shall be a date on or prior to the fifth Business Day prior to the Addition Date with respect to additions pursuant to subsection 2.6(c) of the Pooling and Servicing Agreement and the tenth Business Day prior to the Addition Date with respect to additions pursuant to subsection 2.6(d) of the Pooling and Servicing Agreement).

(2) DESIGNATION OF ADDITIONAL ACCOUNTS. The Transferor shall deliver to the Trustee not later than five Business Days after the Addition Date, a computer file or microfiche list containing a true and complete list of each consumer revolving credit card account which as of the Addition Date shall be deemed to be a Supplemental Account, such accounts being identified by account number and by the Outstanding Balance of the Receivables in such Supplemental Accounts as of the Addition Cut-Off Date. Such file or list shall be marked as Schedule 1 to this Assignment and, as of the Addition Date, shall be incorporated into and made a part of this Assignment.

(3) CONVEYANCE OF RECEIVABLES.

(a) The Transferor does hereby transfer, assign, set-over and otherwise convey to the Trust for the benefit of the Certificateholders, without recourse on and after the Addition Date, all right, title and interest of the Transferor in and to the Receivables now existing and hereafter created in the Supplemental Accounts designated hereby, all monies due or to become due with respect thereto (including all Finance Charge Receivables) and all proceeds of such Receivables.

(b) In connection with such transfer, the Transferor agrees to record and file, at its own ex-

ense, a financing statement with respect to the Receivables now existing and hereafter created in the Supplemental Accounts designated hereby (which may be a single financing statement with respect to all such Receivables) for the transfer of such Receivables meeting the requirements of applicable state law in such manner and such jurisdictions as are necessary to perfect the assignment of such Receivables to the Trust, and to deliver a file-stamped copy of such financing statement or other evidence of such filing (which may, for purposes of this Section 3, consist of telephone confirmation of such filing) to the Trustee on or prior to the date of this Assignment.

(c) In connection with such transfer, the Transferor further agrees, at its own expense, on or prior to the date of this Assignment to indicate in its computer files that Receivables created in connection with the Supplemental Accounts designated hereby have been transferred to the Trust pursuant to this Assignment for the benefit of the Certificateholders.

(d) The Transferor hereby grants and transfers to the Trustee, for the benefit of the Certificateholders, a first priority perfected security interest in all of the Transferor's right, title and interest in, to and under the Receivables now existing and hereafter created and arising in connection with the Supplemental Accounts designated hereby, all monies due or to become due with respect thereto (including all Finance Charge Receivables) and all proceeds of such Receivables, to secure the Secured Obligations and agrees that this Assignment shall constitute a security agreement under applicable law.

(4) ACCEPTANCE BY TRUSTEE. The Trustee hereby acknowledges its acceptance on behalf of the Trust for the benefit of the Certificateholders of all right, title and interest previously held by the Transferor in and to the Receivables now existing and hereafter created, in the Supplemental Accounts designated hereby and declares that it shall maintain such right, title and

interest, upon the trust herein set forth, for the benefit of all Certificateholders.

(5) REPRESENTATIONS AND WARRANTIES OF THE TRANSFEROR. The Transferor hereby represents and warrants to the Trust as of the Addition Date:

(a) LEGAL VALID AND BINDING OBLIGATION. This Assignment constitutes a legal, valid and binding obligation of the Transferor enforceable against the Transferor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium 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 suit at law or in equity).

(b) ELIGIBILITY OF ACCOUNTS AND RECEIVABLES. Each Supplemental Account designated hereby is an Eligible Account and each Receivable in such Supplemental Account is an Eligible Receivable. No selection procedures believed by the Transferor to be materially adverse to the interests of the Investor Certificateholders were utilized in selecting the Supplemental Accounts from the available Eligible Accounts, provided, that, the selection of newly originated Accounts is deemed not to be materially adverse to the interests of the Investor Certificateholders.

(c) INSOLVENCY. The Transferor is not insolvent and, after giving effect to the conveyance set forth in Section 3 of this Assignment, will not be insolvent.

(d) SECURITY INTEREST. This Assignment constitutes either (i) a valid transfer and assignment to the Trust of all right, title and interest of the Transferor in and to (a) the Receivables now existing and hereafter created in and arising in connection with the Supplemental Accounts, including, without limitation, all accounts, general intangibles, contract rights, and other obligations of any Obligor with respect to the Receivables, now or hereafter existing, (b) all monies and investments due or to become due with respect thereto (including, without limitation, the right to any payment of interest and Finance Charge Receivables), including

any and all proceeds (as defined in the UCC as in effect in the Relevant UCC State) with respect to such Receivables, and such Receivables and all proceeds thereof will be held by the Trust free and clear of any Lien of any Person claiming through or under the Transferor or any of its Affiliates, except for (x) Permitted Liens, (y) the interest of the Transferor as Holder of the Exchangeable Transferor Certificate and any other Class or Series of Certificates and (z) the Transferor's right, if any, to receive interest accruing on, and investment earnings, if any, in respect of, any Interest Funding Account, any Principal Account, the Excess Funding Account or any Series Account as provided in the Pooling and Servicing Agreement and any Supplement; or (ii) a grant of a security interest (as defined in the UCC as in effect in the Relevant UCC State) in such property to the Trust, which is enforceable with respect to the existing Receivables of the Supplemental Accounts designated hereby and the proceeds (as defined in the UCC as in effect in the Relevant UCC State) thereof upon the conveyance of such Receivables to the Trust, and which will be enforceable with respect to the Receivables thereafter created in respect of Supplemental Accounts designated hereby and the proceeds (as defined in the UCC as in effect in the Relevant UCC State) thereof upon such creation. If this Assignment constitutes the grant of a security interest to the Trust in such property pursuant to clause (ii) above, upon the filing of a financing statement described in Paragraph 3 of this Assignment with respect to the Supplemental Accounts designated hereby and in the case of the Receivables of such Supplemental Accounts thereafter created and the proceeds (as defined

in the UCC as in effect in the Relevant UCC State) thereof, upon such creation, the Trust shall have a first priority perfected security interest in such property, except for Permitted Liens.

(a) CONDITIONS PRECEDENT. The acceptance by the Trustee set forth in Section 4 and the amendment of the Pooling and Servicing Agreement set forth in Section 7 are subject to the satisfaction, on or prior to the Addition Date, of the following conditions precedent:

(a) OFFICER'S CERTIFICATE. The Transferor shall have delivered to the Trustee a certificate of a Vice President or more senior officer substantially in the form of Schedule 2 hereto, certifying that (i) all requirements set forth in Section 2.6 of the Pooling and Servicing Agreement for designating Supplemental Accounts and conveying the Receivables arising in such Accounts, whether now existing or hereafter created, have been satisfied and (ii) each of the representations and warranties made by the Transferor in Section 5 is true and correct as of the Addition Date.

(b) OPINION OF COUNSEL. The Transferor shall have delivered to the Trustee an Opinion of Counsel with respect to the Supplemental Accounts designated hereby substantially in the form of Exhibit F to the Pooling and Servicing Agreement.

(c) ADDITIONAL INFORMATION. The Transferor shall have delivered to the Trustee such information as was reasonably requested by the Trustee to satisfy itself as to the accuracy of the representation and warranty regarding the insolvency of the Transferor set forth in subsection 5(c) to this Agreement.

(f) AMENDMENT OF THE POOLING AND SERVICING AGREEMENT. The Pooling and Servicing Agreement is hereby amended to provide that all references therein to the "Pooling and Servicing Agreement," to "this Agreement" and "herein" shall be deemed from and after the Addition Date to be a dual reference to the Pooling and Servicing Agreement as supplemented by this Assignment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Pooling and Servicing Agreement shall remain unamended and shall continue to be, and shall remain, in full force and effect in accordance with its terms and except as expressly provided herein shall not constitute or be deemed to constitute a waiver of compliance with or a consent to noncompliance with any term or provision of the Pooling and Servicing Agreement.

(c) COUNTERPARTS. This Assignment may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

(d) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS.

IN WITNESS WHEREOF, the undersigned have caused this Assignment of Receivables in Supplemental Accounts to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

PRIME II RECEIVABLES CORPORATION

By:_____
Name:
Title:

THE CHASE MANHATTAN BANK,
Trustee

By:_____
Name:
Title:

Schedule 1
to Assignment of
Receivables in
Supplemental Accounts

SUPPLEMENTAL ACCOUNTS

Schedule 2
to Assignment of
Receivables in
Supplemental Accounts

Prime II Receivables Corporation
Prime Credit Card Master Trust II

Officer's Certificate

_____, a duly authorized officer of Prime II Receivables Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Transferor"), hereby certifies and acknowledges on behalf of the Transferor that to the best of his knowledge the following statements are true on _____, ____, (the "Addition Date"), and further acknowledges on behalf of the Transferor that this Officer's Certificate will be relied upon by The Chase Manhattan Bank as Trustee (the "Trustee") of the Prime Credit Card Master Trust II in connection with the Trustee entering into Assignment No. __ of Receivables in Supplemental Accounts, dated as of the Addition Date (the "Assignment"), by and between the Transferor and the Trustee, in connection with the Pooling and Servicing Agreement, dated as of January 22, 1997, as heretofore supplemented and amended (the "Pooling and Servicing Agreement") among the Transferor, FDS National Bank, as Servicer, and the Trustee. The undersigned hereby certifies and acknowledges on behalf of the Transferor that:

(a) On or prior to the Addition Date, the Transferor has delivered to the Trustee the Assignment (including an acceptance by the Trustee on behalf of the Trust for the benefit of the Investor Certificateholders) and the Transferor has indicated in its computer files that the Receivables created in connection with the Supplemental Accounts have been transferred to the Trust and within five Business Days after the Addition Date the Transferor shall deliver to the Trustee or the bailee of the Trustee a computer file or microfiche list containing a true and complete list of all Supplemental Accounts identified by account number and the Outstanding Balance of the Receivables in such Supplemental Accounts as of the Addition Date, which computer file or microfiche list shall be, as of the date of such Assignment, incorporated

into and made a part of such Assignment and the Pooling and Servicing Agreement.

(b) Each of the representations and warranties made by the Seller in the Assignment with respect to the Receivables is true and correct in all material respects as of the Addition Date with respect to the Receivables of the Supplemental Accounts designated thereby.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Pooling and Servicing Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of

PRIME II RECEIVABLES CORPORATION

By:_____
Name:
Title:

<TABLE>
<CAPTION>

EXHIBIT "C"

Daily Cash Allocation - Revolving Period

	Collections	Receivables in Defaulted AC's	Interest Income Recoveries	Interest Income - Excess Fund. AC	Excess Purch. AC
Data :	0	0.00	0.00		

Master Trust Allocations MONTH 1

Yield Factor December 13, 1996 0.00%

Finance Charge Collections 0.00
Principal Collections 0.00

<CAPTION>

Floating Allocation %: (based on prior day)	Total AR Factor	FC Receivables A/C Balance	Excess Funding A/C Balance	Excess Purchase	Principal Rec + Exc Funding Principal Receivables
	0	0.46%	0	0	0	0

	1997-1	1997-2	1998-1	1999-1	2000-1
Invested Amount A	0	0	0	0	0.00
Invested Amount B	0	0	0	0	0.00
Invested Amount C	0	0	0	0	
Total	0	0	0	0	0
Floating Alloc. Percentage	0.0%	0.0%	0.0%	0.0%	0.0%
Daily Allocation: FC Collections	0	0	0	0	0.00
Daily Allocation: Write offs	0	0	0	0	0
Daily Allocation: Principal Collections	0	0	0	0	0

Minimum Transferor's Interest

Required Amount
Payment to Series
Discount Amount
Payment to Series
Paydown VFC

Net Principal payment to Transferor

PreFunding Account - Amount Available for Release

</TABLE>

<TABLE>

<S> <C> <C>

	Collection Detail	
	----------	22-Jan-97
	Interchange	0.00
Data :	STAR	0

Master Trust Allocations

Yield Factor

Finance Charge Collections
Principal Collections

Total	0.00

Floating Allocation %: Finance Charge
(based on prior day) Receivables
0

	Transferor	Total
	---	---
Invested Amount A		
Invested Amount B		
Invested Amount C		
Total	0	0
Floating Alloc. Percentage	0.0%	0.0%

Daily Allocation: FC Collections	0	0
Daily Allocation: Write offs	0	0
Daily Allocation: Principal Collections	0	0
Minimum Transferor's Interest	0.00%	
Required Amount	0	
Payment to Series	0	
Discount Amount	0	
Payment to Series	0	
Paydown VFC	0	
Net Principal payment to Transferor	0	
PreFunding Account - Amount Available for	0	

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Series Allocations

SERIES 1997-1

27-Jan-97
12:12 PM

Allocation of Finance Charge Collections

Date	FC Coll.	Class Write-offs	Class A Yield	FDSNB B Yield	Investor Servicing	Default Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
01-Jan-97	0.00	0.00	0.00	0.00	0.00	0.00
02-Jan-97						
03-Jan-97						
04-Jan-97						
05-Jan-97						
06-Jan-97						
07-Jan-97						
08-Jan-97						
09-Jan-97						
10-Jan-97						
11-Jan-97						
12-Jan-97						
13-Jan-97						
14-Jan-97						
15-Jan-97						
16-Jan-97						
17-Jan-97						
18-Jan-97						
19-Jan-97						
20-Jan-97						
21-Jan-97						
22-Jan-97						
23-Jan-97						
24-Jan-97						
25-Jan-97						
26-Jan-97						
27-Jan-97						
28-Jan-97						
29-Jan-97						
30-Jan-97						
31-Jan-97						
01-Feb-97						
02-Feb-97						
03-Feb-97						
04-Feb-97						
Total Allocated	0.00	0.00	0.00	0.00	0.00	0.00
Monthly Target		0.00	-	-	0.00	0.00
BOM Invested Amount		daily amount			-	-
Servicing %		days since last capture		1	1	
					0.00%	

</TABLE>

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27-Jan-97
06:07 PM

Date	Reimbursement of Class A ICO	Reimbursement of Class B ICO
<S>	<C>	<C>
01-Jan-97	0.00	0.00
02-Jan-97		
03-Jan-97		
04-Jan-97		
05-Jan-97		
06-Jan-97		
07-Jan-97		
08-Jan-97		

09-Jan-97
10-Jan-97
11-Jan-97
12-Jan-97
13-Jan-97
14-Jan-97
15-Jan-97
16-Jan-97
17-Jan-97
18-Jan-97
19-Jan-97
20-Jan-97
21-Jan-97
22-Jan-97
23-Jan-97
24-Jan-97
25-Jan-97
26-Jan-97
27-Jan-97
28-Jan-97
29-Jan-97
30-Jan-97
31-Jan-97
01-Feb-97
02-Feb-97
03-Feb-97
04-Feb-97

Total Allocated	0	0.00	0.00
Monthly Target	0	0.00	0

BOM Invested Amount daily amount
Servicing % days since last capture

</TABLE>
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Class A Addit'l. Paymnts	Class B Addit'l. Paymnts	Reimb. of Class C	Class ICO	Class A Required C Yield	Class B Supp'l. Reserve	Supp'l. Paymnts	To Paymnts	Allocated Servicing	Transferor	To Group 1
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0	0	0	0.00	0.00	0	0	0.00		
						-			
						0			
						0.00%			

</TABLE>
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<CAPTION>

Total Allocations - Finance Charge Collections + Principal Collections

	Series 1997-1						
Date	Class A Int.	Class B Int.	Class C Int.	Servicer	Funding	Transferor	proof
- ----							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
01-Jan-97	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02-Jan-97							
03-Jan-97							
04-Jan-97							
05-Jan-97							
06-Jan-97							
07-Jan-97							
08-Jan-97							
09-Jan-97							
10-Jan-97							
11-Jan-97							
12-Jan-97							
13-Jan-97							
14-Jan-97							
15-Jan-97							
16-Jan-97							
17-Jan-97							
18-Jan-97							
19-Jan-97							
20-Jan-97							
21-Jan-97							
22-Jan-97							
23-Jan-97							
24-Jan-97							
25-Jan-97							
26-Jan-97							
27-Jan-97							
28-Jan-97							
29-Jan-97							
30-Jan-97							
31-Jan-97							
01-Feb-97							
02-Feb-97							
03-Feb-97							
04-Feb-97							

AC Balance 0.00 0.00 0.00 0.00 0.00 0.00 0.00

MEMO TOTALS 0.00
</TABLE>

27-Jan-97

<TABLE>
<CAPTION>

Transferor's Instructions
==========

<S> <C>
Total Allocation 0.00

To Buy AR/Pay servicing:
From Collection AC To Operating AC 0.00

To Paydown :
From Collection AC to Principal AC (Current Day) 0.00
From Collection AC to Principal AC (Subsequent Day) 0.00

Paydown CP (Current Day):
From Interest AC to Principal AC 0.00
From Collection Account To Principal AC 0.00
From Operating AC To Principal AC 0.00

Issue CP:
From Principal AC to Collection AC 0.00
From Collection AC to Operating AC 0.00

To Increase Transferor's Interest:
From Collection AC to Excess Purchase AC 0.00
From Collection AC to Excess Funding AC 0.00
From Incoming Wire Acct SF/ABS to Principal AC
To Decrease Transferor's Interest:
From Excess Purchase AC to Operating AC 0.00
From Excess Funding AC To Operating AC 0.00

From Operating AC To First Data Resources 0.00

From Collection AC To Operating AC 0.00

Prime II Receivables Corporation

27-Jan-97

Servicer's Instructions
==========

<S> <C>
To Pay Servicing Fee:
From Collection AC to PRIME II Operating AC 0.00

To Fund Interest Funding Accounts:
From Collection AC to Interest Fund AC 0.00

Change in Amount Invested:
From Interest Funding AC - Series 1997-1 0.00
From Reserve AC 0.00
From Excess Funding AC 0.00
From Excess Purchase AC 0.00

To Pay Fees:
From Collection AC to Trustee 0.00
From Interest Funding AC To Principal AC 0.00

To transfer interest income to OPERATING ACCOUNT
From Interest Funding AC - Series 1997-1 To operating AC 0.00
From Reserve AC To Operating AC 0.00
From Excess Funding AC To Operating AC 0.00
From Excess Purchase AC To Operating AC 0.00

To Pay Class C Coupon:
From Collection AC to Operating AC 0.00

FDS National Bank, Inc. as Servicer

</TABLE>

Exhibit D

PRIME CREDIT CARD
MASTER TRUST II
SETTLEMENT STATEMENT

Distribution Date: 15-Jan-97

Monthly Period: December 1996
1-Dec-96
4-Jan-97

(i) Collections 0.00
Finance Charge 0.00
Interchange 0.00
Principal 0.00

(ii) Investor Percentage - Principal Collections

Series 1997-1 0.00%
A 0.00%
B 0.00%
C 0.00%

Investor Percentage - Finance Charge Collections
and Receivables in Defaulted Accounts

Series 1997-1 0.00%
A 0.00%
B 0.00%
C 0.00%

(iii) Distribution Amount per $1,000

Series 1997-1
A 0.00
B 0.00
C 0.00

Total $'s Distributed
Series 1997-1 0.00

(Iv) Allocation to Principal per $1,000

Series 1997-1
A 0.00
B 0.00
C 0.00

Total $'s Distributed
Series 1997-1 0.00

(v) Allocation to Interest per $1,000

Series 1997-1
A 0.00

B 0.00
C 0.00

PRIME CREDIT CARD
MASTER TRUST II
SETTLEMENT STATEMENT

Total $'s Distributed
Series 1997-1 0.00

(vi) Investor Default Amount

Series 1997-1 0.00
A 0.00
B 0.00
C 0.00

(vii) Investor Charge Offs and Reinbursements

Series 1997-1 Charge Offs 0.00
A 0.00
B 0.00
C 0.00

Series 1997-1 Reimbusements 0.00
A 0.00
B 0.00
C 0.00

(viii) Servicing Fees

Series 1997-1 0.00
A 0.00
B 0.00
C 0.00

(ix) Deficit Controlled Amortization Amount

Series 1997-1 0.00
A 0.00
B 0.00
C 0.00

(x) Receivables in Trust 0.00

(xi) Invested Amount

Series 1997-1 0.00
A 0.00
B 0.00
C 0.00

(xii) Enhancement 0.00

(xiii) Pool Factor 0.00

(xiv) Yield Factor 0.00
Finance Charge Receivables Factor 0.00

(xv) Payout Event NO

Exhibit 10.23

PRIME II RECEIVABLES CORPORATION

Transferor

FDS NATIONAL BANK

Servicer

and

THE CHASE MANHATTAN BANK

Trustee

on behalf of the Series 1997-1 Certificateholders

SERIES 1997-1 VARIABLE FUNDING SUPPLEMENT

Dated as of January 22, 1997

to

POOLING AND SERVICING AGREEMENT

Dated as of January 22, 1997

Class A Variable Funding Certificates, Series 1997-1

Class B Variable Funding Certificates, Series 1997-1

PRIME CREDIT CARD MASTER TRUST II

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SERIES 1997-1 VARIABLE FUNDING SUPPLEMENT, dated as of January 22, 1997 (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 NATIONAL BANK, a national banking association organized and existing under the federal laws of the United States, as Servicer (the "Servicer"), and THE CHASE MANHATTAN BANK, a banking corporation organized and existing under the laws of State of New York, 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 1997-1 VARIABLE FUNDING CERTIFICATES." The Series 1997-1 Variable Funding Certificates shall be issued in two Classes, which shall be designated generally as the Class A Variable Funding Certificates, Series 1997-1 (the "CLASS A VARIABLE FUNDING CERTIFICATES"), and the Class B Variable Funding Certificates, Series 1997-1 (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 1997-1 (the "CLASS C CERTIFICATES"). The Series 1997-1 Variable Funding Certificates and the Class C Certificates are collectively referred to sometimes in this Variable Funding Supplement as the "SERIES 1997-1 CERTIFICATES". There is hereby established a Group to be known as "Group I", in which the Series 1997-1 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. Each capitalized term defined herein shall relate only to the Series 1997-1 Certificates and no other Series of Certificates issued by the Trust.

"ADMINISTRATIVE AGENT" shall mean Credit Suisse First Boston, New York Branch, 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 1997-1 Termination Date.

"AMORTIZATION PERIOD COMMENCEMENT DATE" shall mean, initially, with respect to the Investor Certificates, the earlier of the first day of the February 2000 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.

"ASSIGNEE" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"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.

"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 1997-1 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 1997-1 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.

"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 Credit Suisse First Boston, New York Branch, 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 of the accrued Yield (as defined in the Class A Certificate Purchase Agreement) since the preceding Business Day on the outstanding principal amount of the Class A Certificates.

"CLASS A CERTIFICATE PURCHASE AGREEMENT" shall mean the Class A Certificate Purchase Agreement, dated as of January 22, 1997, among the Transferor, the Servicer, the purchasers of Class A Certificates named therein and Credit Suisse First Boston, New York Branch, 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 1997-1 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-l 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 Credit Suisse First Boston, New York Branch, 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 of the accrued Yield (as defined in the Class B Certificate Purchase Agreement) since the preceding Business Day on the outstanding principal amount of the Class B Certificates.

"CLASS B CERTIFICATE PURCHASE AGREEMENT" shall mean the Class B Certificate Purchase Agreement, dated as of January 22, 1997, among the Transferor, the Servicer, the purchasers of Class B Certificates named therein and Credit Suisse First Boston, New York Branch, 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 1997-1 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 1997-1 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 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 1997-1 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 1997-1 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 Invested Amount 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 January 23, 1997.

"DISCOUNT ALLOCATION PERCENTAGE" shall mean with respect to Series 1997-1 and any Business Day the percentage equivalent of a fraction the numerator of which is the Series 1997-1 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 1997-1 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 March 1997 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 February 1997 Monthly Period, for such Monthly Period, and (ii) in the case of the March 1997 Monthly Period, for such Monthly Period and the February 1997 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:

Three-Month Average Excess Spread Percentage		Excess Spread Enhancement Cap
>	=<	Percentage
5.00%	--	0.00%
4.00%	5.00%	1.00%
3.00%	4.00%	2.00%
2.00%	3.00%	3.00%
--	2.00%	4.00%

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 February 1997 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 February 1997 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 January 2000 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.

"FIXED/FLOATING ALLOCATION PERCENTAGE" shall mean for any Business Day the percentage equivalent of a fraction, the numerator of which is 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 1997-1 Certificates on the Issuance Date.

"INTERCHANGE COLLECTIONS" shall mean, with respect to Series 1997-1 on any Business Day, the product of the Floating Allocation Percentage for Series 1997-1 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 1997-1 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 1997-1 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.

"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 1997-1 Certificates shall begin on and include the Closing Date and shall end on and include February 28, 1997.

"NET FINANCE CHARGE PORTFOLIO YIELD" shall mean, for Series 1997-1 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 1997-1 for such Monthly Period, calculated on a cash basis after subtracting the Investor Default Amount applicable to Series 1997-1 for such Monthly Period, and the denominator of which is the average daily Invested Amount of Series 1997-1 during such Monthly Period.

"NET PRINCIPAL COLLECTIONS" shall mean, for Series 1997-1 on any Business Day, the sum of (i) the product, during the Revolving Period, of the Floating Allocation Percentage for Series 1997-1 and, during the Amortization Period, of the Fixed/Floating Allocation Percentage for Series 1997-1 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 1997-1 and the Discount Amount for such Business Day and (y) the Carryover Discount Amount for Series 1997-1 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 1997-1 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 February 1997 Monthly Period, for such Monthly Period, and (ii) in the case of the March 1997 Monthly Period, for such Monthly Period and the February 1997 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:

Three-Month Average Payment Rate Percentage		Payment Rate Enhancement Cap
=>	<	Percentage
30.00%	--	0.00%
25.00%	30.00%	1.00%
--	25.00%	2.00%

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 February 1997 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 February 1997 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 1997-1 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 1997-1 times the Principal Receivables on the first day of such Monthly Period.

"PORTFOLIO YIELD" shall mean for the Series 1997-1 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 1997-1 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 1997-1 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 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 1997-1 TERMINATION DATE" shall mean January 31, 2002 unless a different date shall be set forth in the Extension Notice.

"SERIES 1997-1" shall mean the Series of the Prime Credit Card Master Trust II represented by the Series 1997-1 Certificates.

"SERIES 1997-1 CERTIFICATEHOLDER" shall mean the Holder of any Series 1997-1 Certificate.

"SERIES 1997-1 CERTIFICATEHOLDERS' INTEREST" shall have the meaning specified in Section 4.4 of the Agreement.

"SERIES 1997-1 CERTIFICATES" shall have the meaning specified in Section 1 of this Variable Funding Supplement.

"SERIES 1997-1 DISCOUNT FACTOR" shall mean with respect to Series 1997-1 for any Business Day, the amount for Series 1997-1, 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 1997-1 PAY OUT EVENT" shall have the meaning specified in Section 10 of this Variable Funding Supplement.

"SERIES 1997-1 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 1997-1 TERMINATION DATE" shall mean the earlier to occur of (i) the day after the Distribution Date on which the Series 1997-1 Certificates are paid in full including any Supplemental Payments, or (ii) the Scheduled Series 1997-1 Termination Date.

"SERIES 1997-1 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 1997-1 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 1997-1 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 1997-1 Termination Date.

"TOTAL FINANCE CHARGE COLLECTIONS" shall mean, with respect to Series 1997-1 on any Business Day, the sum of (i) the product of applicable Investor Percentage for the Series 1997-1 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 1997-1 and the Discount Amount for such Business Day and (y) the Carryover Discount Amount for Series 1997-1 for such Business Day and (b) the product of the applicable Investor Percentage for the Series 1997-1 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 CERTAIN TRANSFER TERMS.

(a) The Series 1997-1 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 1997-1 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 (l) 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 1997-1 Certificateholder, by accepting and holding a Series 1997-1 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 1997-1 CERTIFICATES. The Transferor shall execute and deliver the Series 1997-1 Certificates to the Trustee for authentication in accordance with Section 6.1 of the Agreement. The Trustee shall deliver the Series 1997-1 Certificates when authenticated in accordance with Section 6.2 of the Agreement.

SECTION 5. DEPOSITARY; FORM OF DELIVERY OF SERIES 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 (A) 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 and (B) the Administrative Agent on behalf of the Class A Certificateholders and the Class B Certificateholders has consented in writing to such sale."

SECTION 7. ARTICLE IV OF 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 1997-1 Certificates:

ARTICLE IV

RIGHTS OF CERTIFICATEHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

Section 4.4 RIGHTS OF CERTIFICATEHOLDERS. The Series 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 FDSNB or any Affiliate of FDSNB 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) FDSNB SERVICING FEE. On each Business Day, if FDSNB or any Affiliate of FDSNB 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 FDSNB or any Affiliate of FDSNB 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 FDSNB or any Affiliate of FDSNB 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) FDSNB SERVICING FEE. On each Business Day, if FDSNB or any Affiliate of FDSNB 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 Shortfall, if any. In the event that the Class A Required Amount, the Class B Required Amount or the Series 1997-1 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 1997-1 Shortfall, the Servicer shall apply any Excess Finance Charge Collections allocable to the Series 1997-1 Certificates in an amount equal to such Series 1997-1 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 1997-1 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 1997-1 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 such Net Principal Collections allocable to the Class C Certificates, the Class C Invested Amount shall be reduced but only to the extent that the Class C Invested Amount shall be reduced to zero and then the Class B Invested Amount and, if applicable, the Class A Invested Amount shall be reduced as provided in subsections 4.8(b) or 4.8(c) of the Agreement.

(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 such Net Principal Collections

allocable to the Class B Certificates, the Class B Invested Amount shall be reduced but only to the extent that the Class B Invested Amount shall be reduced to zero and then the Class A Invested Amount shall be reduced as provided in subsection 4.8(c) of the Agreement.

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 1997-1 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. The Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Holders of Series 1997-1 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, 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.

(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 either (i) such disposal will not result in a loss of all or part of the principal portion of such Cash Equivalent or (ii) 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 1997-1 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 1997-1 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. The Excess Purchase Account shall be under the sole dominion and control of the Trustee for the benefit of the Holders of Series 1997-1 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, 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 either (i) such disposal will not result in a loss of all or part of the principal portion of such Cash Equivalent or (ii) 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 1997-1 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 1997-1 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 1997-1 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. 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 1997-1 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 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 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 either (i) such disposal will not result in a loss of all or part of the principal portion of such Cash Equivalent or (ii) 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 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 either (i) such disposal will not result in a loss of all or part of the principal portion of such Cash Equivalent or (ii) 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 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 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 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 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 1997-1 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 1997-1 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, 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 1997-1 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 1997-1 Certificates;

(ii) the amount of Total Finance Charge Collections processed during the related Monthly Period and allocated in respect of each Class of Series 1997-1 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 and the Enhancement 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 1998, the Trustee shall distribute to each Person who at any time during the preceding calendar year was a Series 1997-1 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

1997-1 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 1997-1

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 AGREEMENT. The Opinion of Counsel referred to in part (b) of the seventh sentence of Section 6.9 of the Agreement shall mean, with respect to the Series 1997-1 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 1997-1 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 require that such Certificateholders 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 (i) the aggregate amount of Principal Receivables and amounts on deposit in the Excess Funding Account (other than investment earnings thereon), (ii) PLUS the amount on deposit in the Excess Purchase Account, MINUS (iii) 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 Transferor 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 1997-1 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, an "ASSIGNEE") may occur, unless the 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 any interest in the Trust with respect to which no opinion has been rendered that such certificate (or other interest in the Trust) will be treated as debt for federal income tax purposes 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 Assignee thereof shall further 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 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 an 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 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 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 1997-1 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 interest 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 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, and, except in the case of a Transfer to a Support Bank (as defined in such respective agreements), unless the Transferor shall have granted its prior written consent thereto. Such consent shall not be granted if the Transferor reasonably determines 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 A Certificates and Class B Certificates shall not in the aggregate be more than 20 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 shall not withhold its consent to a Transfer unless (i) the determination referred to in the preceding sentence has been made with respect to such Transfer, (ii) one of the two provisos to the preceding sentence is applicable to such Transfer, (iii) the Transferor has the right to withhold its consent to such Transfer pursuant to the Class A Certificate Purchase Agreement or the Class B Certificate Purchase Agreement, as applicable, or (iv) the Transferor has the right to prohibit such Transfer pursuant to subsection 6.18(c).

(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 further 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 1997-1 PAY OUT EVENTS. The Pay Out Events which can cause the commencement of the Amortization Period with respect to the Series 1997-1 Variable Funding Certificates include the Trust Pay Out Events described in Section 9.1 of the Agreement and the Series 1997-1 Pay Out Events described in the following sentence. If any one of the following events shall occur with respect to the Series 1997-1 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 1997-1 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 1997-1 Variable Funding Certificateholders for such period;

(b) any representation or warranty made by the Transferor in the Agreement or this Series 1997-1 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

1997-1 Variable Funding Certificateholders are materially and adversely affected and continue to be materially and adversely affected for such period; PROVIDED, HOWEVER, that a Series 1997-1 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 1997-1 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 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 Variable Funding Certificateholders are materially and adversely affected and continue to be materially and adversely affected for such period; PROVIDED, HOWEVER, that a Series 1997-1 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(l) 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), (l) 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 1997-1 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 1997-1 Pay Out Event shall occur without any notice or other action on the part of the Trustee or the Series 1997-1 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 1997-1 Certificates: "Any Successor Servicer must either (A) be approved 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 FDSNB except in accordance with such Section and with the prior 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 1997-1 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 1997-1 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 1997-1 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 1997-1 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 1997-1 Certificates shall initially be issued in the principal amounts of $92,800,000 Class A Variable Funding Certificates, $11,600,000 Class B Variable Funding Certificates and $11,600,000 Class C Certificates. There shall be no minimum denomination for the Series 1997-1 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 1997-1 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 1997-1 Variable Funding Certificates as provided in Section 19 of this Variable Funding Supplement.

SECTION 18. SERIES 1997-1 TERMINATION. The right of the Series 1997-1 Certificateholders to receive payments from the Trust will terminate on the first Business Day following the Series 1997-1 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 or notified the Trustee, the Transferor or the Servicer 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 1997-1, 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 1997-1.

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.

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 1997-1 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/ KAREN M. HOGUET

Name: Karen M. Hoguet
Title: Chairman of the Board

FDS NATIONAL BANK
Servicer

By: /S/ SUSAN R. ROBINSON

Name: Susan R. Robinson
Title: Treasurer

THE CHASE MANHATTAN BANK
Trustee

By: /S/ DENNIS KILDEA

Name: Dennis Kildea
Title: Trust Officer

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) PURSUANT 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)(l) 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

PRIME CREDIT CARD MASTER TRUST II
CLASS A VARIABLE FUNDING CERTIFICATE,
SERIES 1997-1

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 National Bank ("FDSNB") 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, FDSNB 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"), FDSNB, as Servicer (the "Servicer"), and The Chase Manhattan Bank, as Trustee (the "Trustee"), and the Series 1997-1 Variable Funding Supplement, dated as of January 22, 1997 (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 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration Department. 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 1997-1" (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 1997-1 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 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 represented by the Investor Certificates or any other Series of Certificates. The Exchangeable Transferor Certificate may be exchanged by the Transferor pursuant to the Pooling and Servicing Agreement for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate upon the conditions set forth in 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 $116,000,000. 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 $92,800,000.

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 January 31, 2002, 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 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 A Variable Funding Certificates referred to in the within-mentioned Pooling and Servicing Agreement.

THE CHASE MANHATTAN 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 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)(l) 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

PRIME CREDIT CARD MASTER TRUST II
CLASS B VARIABLE FUNDING CERTIFICATE,
SERIES 1997-1

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 National Bank ("FDSNB") 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, FDSNB 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"), FDSNB, as Servicer (the "Servicer"), and The Chase Manhattan Bank, as Trustee (the "Trustee"), and the Series 1997-1 Variable Funding Supplement, dated as of January 22, 1997 (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 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.

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 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration Department. 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 1997-1" (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 1997-1 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 represented by the Investor Certificates or any other Series of Certificates. The Exchangeable Transferor Certificate may be exchanged by the Transferor pursuant to the Pooling and Servicing Agreement for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate upon the conditions set forth in 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 $116,000,000. 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 $11,600,000.

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 January 31, 2002, 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.

THE CHASE MANHATTAN 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 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)(l) 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

PRIME CREDIT CARD MASTER TRUST II
CLASS C CERTIFICATE,
SERIES 1997-1

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 National Bank ("FDSNB") 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, FDSNB 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"), FDSNB, as Servicer (the "Servicer"), and The Chase Manhattan Bank, as Trustee (the "Trustee"), and the Series 1997-1 Variable Funding Supplement, dated as of January 22, 1997 (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 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration Department. 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 1997-1" (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 1997-1 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 represented by the Investor Certificates or any other Series of Certificates. The Exchangeable Transferor Certificate may be exchanged by the Transferor pursuant to the Pooling and Servicing Agreement for one or more Series of Certificates and a reissued Exchangeable Transferor Certificate upon the conditions set forth in 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 $116,000,000. 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 $11,600,000.

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 January 31, 2002, 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, and thereupon one or more new Class C 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 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.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Signatory

EXHIBIT B

FORM OF EXTENSION NOTICE

PRIME CREDIT CARD MASTER TRUST II, SERIES 1997-1

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 National Bank, as Servicer (the "Servicer"), and The Chase Manhattan Bank, as trustee (the "Trustee"), as supplemented by the Series 1997-1 Supplement, dated January 22, 1997 (the "Series 1997-1 Supplement"), by and between the Transferor, the Servicer and the Trustee, (the Pooling and Servicing Agreement, as supplemented by the Series 1997-1 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 1997-1 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 1997-1 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

The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001
Attention: Corporate Trustee Administration Department

Re: Prime Credit Card Master Trust II:
Election Notice to Extend Series 1997-1

Ladies and Gentlemen:

The undersigned hereby elects to approve the extension of the Revolving Period for Series 1997-1 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 1997-1 Supplement thereto, each by and among Prime II Receivables Corporation, as transferor, FDS National Bank, as Servicer, and 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 1997-1)

[Date]

Re: Prime Credit Card Master Trust II
Class C Certificates, Series 1997-1

Ladies and Gentlemen:

This letter (the "Investment Letter") is delivered by the undersigned (the "Purchaser") pursuant to Section 6.17 of the Series 1997-1 Variable Funding Supplement, dated as of January __, 1997 (the "Supplement"), among Prime II Receivables Corporation, as Transferor (the "Transferor"), FDS National Bank, as Servicer (the "Servicer"), and The Chase Manhattan Bank, as Trustee (the "Trustee"), which supplements the Pooling and Servicing Agreement, dated as of January __, 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 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. The Purchaser hereby further certifies 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. 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]

<TABLE>
<CAPTION>

Exhibit E

PRIME CREDIT CARD
MASTER TRUST II
SERIES 1997-1 MONTHLY CERTIFICATEHOLDERS STATEMENT

Distribution Date: 01-Jan-97

Monthly Period: January
01-Jan-97
01-Jan-97

<S>		<C>
(i) Net Principal Collections/Allocation		0.00
Class A Allocation		0.00
Class B Allocation		0.00
Class C Allocation		0.00
(ii) Total Finance Charge Collections/Allocation		0.00
Of which Interchange		0.00
Class A Allocation		0.00
Class B Allocation		0.00
Class C Allocation		0.00
(iii)Principal Receivables	01-Jan-97	00.0
Invested Amount		0.00
Class A		0.00
Class B		0.00
Class C		0.00
Transferor Amount		0.00
Percentage		0.00%
Fixed/Floating Allocation Percentage		0.00
Class A		0.00%
Class B		0.00%
Class C		0.00%
(iv) Delinquency		
Current	0.00	0.00%
30 Days	0.00	0.00%
60 Days	0.00	0.00%

90 Days	0.00	0.00%
120 Days	0.00	0.00%
150 Days	0.00	0.00%
180 Days +	0.00	0.00%
Total	0.00	0.00%

(v) Aggregate Investor Default Amount 0.00
Percentage of Average Invested Amount 0.00%

(vi) Aggregate Investor Uncovered Dilution 0.00

(vii)Investor Charge Offs/Recoveries 0.00

Class A Charge Offs	0.00
Class A Charge Off Recoveries	0.00
Class B Charge Offs	0.00
Class B Charge Off Recoveries	0.00
Class C Charge Offs	0.00
Class C Charge Off Recoveries	0.00

(viii)Monthly Servicing Fee 0.00

	Average of 6 Months	Average of 3 Months	Current Month
(ix) Payment Rate Percentage	0.00%	0.00%	0.00%
Excess Spread Percentage	0.00%	0.00%	0.00%

(x) Reserve Account:
Required Reserve Account Percentage 0.00%

Opening Balance	0.00
Deposits	0.00
Disbursement	0.00
Closing Balance	0.00

(xi) Portfolio Yield 0.00%
Average Base Rate 0.00%

</TABLE>

Exhibit 10.24

COMMERCIAL PAPER DEALER AGREEMENT

between

Federated Department Stores, Inc., as Issuer

and

Citicorp Securities, Inc., as Dealer

Concerning Notes to be issued pursuant to an Issuing and Paying Agency Agreement dated as of January 30, 1997 between the Issuer and Citibank, N.A., as Issuing and Paying Agent

Dated As Of

January 30, 1997

COMMERCIAL PAPER DEALER AGREEMENT

This agreement ("Agreement") sets forth the understandings between the Issuer and the Dealer in connection with the issuance and sale by the Issuer of its short-term promissory notes through the Dealer (the "Notes").

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

Section 1. OFFERS, SALES AND RESALES OF NOTES

1.1 While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein. Subject to the foregoing, the Dealer will use all reasonable efforts to arrange sales of the Notes at the times and in the amounts requested by the Issuer.

1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, the Issuer shall not, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer one or more agreements which contain provisions substantially identical to Section 1 of this Agreement, of which the Issuer hereby undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.

1.3 The Notes shall be in a minimum denomination or minimum amount, whichever is applicable, of $250,000 or integral multiples of $1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturing not exceeding 270 days from the date of issuance (exclusive of days of grace) and shall not contain any provision for extension, renewal or automatic "rollover."

1.4 The authentication, delivery and payment of the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement and the Notes shall be either individual bearer physical certificates or represented by book-entry Notes registered in the name of DTC or its nominee in the form or forms annexed to the Issuing and Paying Agency Agreement. The Dealer agrees to keep

confidential the user number identification and password given to it pursuant to the Issuing and Paying Agency Agreement.

1.5 If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure and an appropriate book-entry credit in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer shall reimburse the Dealer on an equitable basis for the Dealer's loss of the use of such funds for the period such funds were credited to the Issuer's account.

1.6 All offers and sales of the Notes by the Issuer shall be effected pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. The Dealer and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes shall be made only to the following types of investors: (i) investors reasonably believed by the Dealer to be Institutional Accredited Investors or Sophisticated Individual Accredited Investors, (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is an Institutional Accredited Investor or Sophisticated Individual Accredited Investor, and (iii) Qualified Institutional Buyers.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legends described in clause (e) below.

(c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing; without the prior written approval of Dealer, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes. The Dealer shall not use any materials other than the Private Placement Memorandum as then approved by the Issuer in connection with the offer and sale of the Notes.

(d) No sale of Notes to any one purchaser shall be for less than $250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least $250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of

such Exhibit A shall appear as part of the Private Placement Memorandum used in connection

with offers and sales of Notes hereunder, as well as on each Note offered and sold pursuant to this Agreement.

(f) Dealer shall furnish or shall have furnished to each purchaser of Notes being sold to an ultimate purchaser for the first time a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer may be obtained.

(g) The Issuer agrees, for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer will furnish, upon request and at its expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to Dealer an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

1.7 The Issuer hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes as follows:

The Issuer represents and agrees that the proceeds of the sale of the Notes are not currently contemplated to be used for the purpose of buying, carrying or trading securities within the meaning of Regulation T and the interpretations thereunder by the Board of Governors of the Federal Reserve System. In the event that the Issuer determines to use such proceeds for the purpose of buying, carrying or trading securities, whether in connection with an acquisition of another company or otherwise, the Issuer shall give the Dealer at least five business days' prior written notice to that effect. The Issuer shall also give the Dealer prompt notice of the actual date that it commences to purchase securities with the proceeds of the Notes. Thereafter, in the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes only to offerees it reasonably believes to be QIBs or to QIBs it reasonably believes are acting for other QIBs, in each case in accordance with Rule 144A.

Section 2. Representations and Warranties of Issuer.

The Issuer represents and warrants that:

2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all the requisite corporate power and authority to execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agency Agreement.

2.2 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of

the Issuer enforceable against the Issuer in accordance with their terms subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.3 The Notes have been duly authorized, and when issued and delivered as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and delivered and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.4 The offer and sale of Notes in the manner contemplated hereby do not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. Neither the Issuer nor any affiliate (as defined in Regulation 501(b) of Regulation D), will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which will be integrated with the sale of the Notes in a manner which would require the registration of the Notes under the Securities Act.

2.5 The Notes are unsecured and unsubordinated indebtedness of the Issuer.

2.6 No consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC (except for the filing of a Form D with the SEC), is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.

2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, nor the issuance and delivery of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or an event of default under any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or event of default might have a material adverse effect on the condition (financial or otherwise), operations or reasonably foreseeable business prospects of the Issuer and its subsidiaries taken as a whole or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement (a "Material Adverse Effect").

2.8 There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might result in a Material Adverse Effect.

2.9 The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

2.10 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Dealer Information.

2.11 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth above in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or reasonably foreseeable business prospects of the Issuer and its subsidiaries, taken as a whole which has not been disclosed to the Dealer in writing.

Section 3. Covenants and Agreements of Issuer

The Issuer covenants and agrees that:

3.1 The Issuer will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of, or waiver with respect to, the Notes or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.

3.2 The Issuer shall, whenever there shall occur any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Issuer's securities by any national recognized statistical rating organization which has published a rating of the Notes, promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such changes, development, or occurrence.

3.3 The Issuer shall from time to time furnish to the Dealer such information as the Dealer may reasonably request (other than material non-public information), including, without limitation, any press releases or material provided by the Issuer to any national securities exchange or rating agency, regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes, and (iii) the Issuer's ability to pay the Notes as they mature.

3.4 The Issuer will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws; provided, that the Issuer shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.

3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) an opinion of counsel to the Issuer, addressed to the Dealer, substantially in the form attached hereto, (b) a copy of the executed Issuing and Paying Agency Agreement, (c) a copy of resolutions adopted by the Board of Directors of the Issuer, in the form attached hereto and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement the Issuing and Paying Agency Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e)

such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.

3.7 The Issuer shall reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including reasonable expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

Section 4. DISCLOSURE

4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

4.2 The Issuer agrees promptly to furnish the Dealer the Company Information as it becomes available.

4.3 (a) The Issuer further agrees to notify the Dealer promptly upon the occurrence of any event relating to or affecting the Issuer that would cause the Private Placement Memorandum or the Company Information then in existence to include an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

(b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that such Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer and prospective holders of the Notes.

(c) In the event that (i) the Issuer gives the Dealer notice pursuant to Section 4.3(a) and (ii) the Dealer does not notify the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer and prospective holders of the Notes.

Section 5. INDEMNIFICATION AND CONTRIBUTION

5.1 The Issuer, as the Indemnifying Party, will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Dealer Indemnitees") against any and all liabilities, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Dealer Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer in writing expressly for inclusion in the Private Placement Memorandum included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the

statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

5.2 The Dealer, as the Indemnifying Party, will indemnify and hold harmless the Issuer, each individual, corporation, partnership, trust, association or other entity controlling the Issuer, any affiliate of the Issuer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Issuer Indemnitees") against any and all Claims imposed upon, incurred by or asserted against the Issuer Indemnitees arising out of or based upon any allegation that the Dealer Information included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.3 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.

5.4 If the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless an Indemnitee under Sections 5.1 or 5.2 in respect of a Claim, although applicable in accordance with the terms of this Section 5, each Indemnifying Party shall contribute to the amount paid or payable by such Indemnitee as a result of such Claim in such proportion as is appropriate to reflect the relative benefits received by the Issuer on the one hand and the Dealer on the other from the offering of the Notes, provided, however, that any such contribution by the Dealer shall not be in excess of the benefits received by it from the offering of the Notes. The respective benefits received by the Issuer and the Dealer shall be deemed to be the aggregate net proceeds received by the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 6. DEFINITIONS

6.1 "Claim" shall have the meaning set forth in Section 5.1.

6.2 "Company Information" at any given time shall mean, to the extent applicable, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for dissemination to investors or potential investors in the Notes.

6.3 "Dealer Information" shall mean statements concerning the Dealer or other matters and provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.

6.4 "DTC" shall mean The Depository Trust Company.

6.5 "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

6.6 "Indemnifying Party" shall have the meaning set forth in Section 5.

6.7 "Indemnitees" shall mean the Dealer Indemnitees or the Company Indemnitees (as such terms are defined in Sections 5.1 and 5.2) as the context shall require.

6.8 "Institutional Accredited Investor" shall mean an institutional

investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

6.9 "Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.

6.10 "Issuing and Paying Agent" shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement.

6.11 "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

6.12 "Private Placement Memorandum" shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).

6.13 "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.

6.14 "Rule 144A" shall mean Rule 144A under the Securities Act.

6.15 "SEC" shall mean the U.S. Securities and Exchange Commission.

6.16 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

6.17 "Sophisticated Individual Accredited Investor" shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of evaluating and bearing the economic risk of an investment in the Notes and (ii) having a net worth of at least $5 million.

Section 7. GENERAL

7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

7.3 The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH OF THE DEALER AND THE ISSUER WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day's prior notice to such effect to the Dealer, or by the Dealer upon one business day's prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the parties under Sections 3.7, 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

7.5 This Agreement is not assignable by either party hereto without the written consent of the other party, which consent shall not be unreasonably withheld.

7.6 This Agreement is for the exclusive benefit of the parties hereto, and their respective successors and permitted assigns hereunder, and (to the extent provided in Section 5) the Indemnitees, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever. No purchaser of any of the Notes from the Dealer shall be deemed a successor or assign by reason merely of such purchase.

7.7 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written:

Federated Department Stores, Inc. as Issuer

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President

Citicorp Securities, Inc. as Dealer

By: /s/ Christopher P. Daifotis

Name: Christopher P. Daifotis
Title: Vice President

ADDENDUM

1. The other dealers referred to in clause (b) of Section 1.2 of the Agreement are Lehman Brothers Inc.

2. The following section 3.8 is hereby added to the Agreement:

3.8 Without limiting any obligation of the Issuer pursuant to this Agreement to provide the Dealer with credit and financial information, the Issuer hereby acknowledges and agrees that the Dealer may share the Company Information and any other information or matters relating to the Issuer or the transactions contemplated hereby with affiliates of the Dealer, including, but not limited to Citibank, N.A., and that such affiliates may likewise share information relating to the Issuer or such transactions with the Dealer, provided, however, that the Dealer for itself and on behalf of its affiliates acknowledges that it is aware, and that it has advised or will advise any person or entity to whom or which it divulges or discloses Company Information or such other information or matters that, in general, the United States securities laws prohibit any person or entity who or which possesses material, non-public information regarding a company from

purchasing or selling securities of such company or from communicating such information to any person or entity.

3. The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer: Federated Department Stores, Inc.

Address: 7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Susan P. Storer
Telephone number: 513/579-7775
Fax number: 513/579-7393

For the Dealer: Citicorp Securities, Inc.

Address: 399 Park Avenue, 7th Fl.
New York, New York 10043
Attention: Domestic Money Market Department
Telephone number: 212/291-3986
Fax number: 212/291-3454

EXHIBIT A

FORM OF LEGEND FOR

PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) WITH SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING AND BEARING THE RISKS OF AN INVESTMENT IN THE NOTES AND THAT EITHER IT IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(a) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (i) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT SUCH PURCHASER IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES, OR (ii) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO CITICORP SECURITIES, INC. OR LEHMAN BROTHERS INC., OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE

"PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR OR A QIB BY A PLACEMENT AGENT, OR (3)

TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF $250,000.

EXHIBIT B

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

(a) The Indemnifying Party agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).

(b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Indemnifying Party, notify the Indemnifying Party in writing of the existence thereof, provided that (i) the omission so to notify the Indemnifying Party will not relieve it from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Indemnifying Party of substantial rights and defenses, and (ii) the omission so to notify the Indemnifying Party will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Indemnifying Party of the existence thereof, the Indemnifying Party will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Indemnifying Party and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party, the Indemnifying Party shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Indemnifying Party to such Indemnitee of the Indemnifying Party's election so to assume the defense of such Claim and approval by the Indemnitee of counsel, the Indemnifying Party will not be liable to such Indemnitee for expenses incurred thereafter by the Indemnitee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnitee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Indemnifying Party shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnitee to represent the Indemnitee within a reasonable time after notice of existence of the Claim or (iii) the Indemnifying Party has authorized in writing the employment of counsel for the Indemnitee. The indemnity, reimbursement and contribution obligations of the Indemnifying Party hereunder shall be in addition to any other liability the Indemnifying Party may otherwise have to an Indemnitee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Indemnifying Party and any Indemnitee. The Indemnifying Party agrees that without the Indemnitee's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement, unless such settlement, compromise or consent includes an unconditional release of each Indemnitee from all liability arising out of such Claim.

Exhibit 10.25

FEDERATED DEPARTMENT STORES, INC.

$400,000,000

COMMERCIAL PAPER

PRIVATE PLACEMENT MEMORANDUM

THE NOTES DESCRIBED HEREIN (THE "NOTES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR" RESPECTIVELY) WITH SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING THE RISKS OF AN INVESTMENT IN THE NOTES AND THAT EITHER IT IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY, OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (a) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT SUCH PURCHASER IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES, OR (b) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT EITHER (1) TO THE ISSUER OR TO CITICORP SECURITIES, INC. OR LEHMAN BROTHERS INC. OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR OR A QIB BY A PLACEMENT AGENT, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF $250,000.

PLACEMENT AGENTS
CITICORP SECURITIES, INC.
LEHMAN BROTHERS INC.

THIS PRIVATE PLACEMENT MEMORANDUM IS CONFIDENTIAL AND HAS BEEN PREPARED BY FEDERATED DEPARTMENT STORES, INC. (THE "COMPANY") SOLELY FOR USE IN CONNECTION WITH THE OFFERING OF NOTES DESCRIBED HEREIN. THIS PRIVATE PLACEMENT MEMORANDUM IS PERSONAL TO THE RECIPIENT HEREOF AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE THE NOTES. DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE THE NOTES IS UNAUTHORIZED, AND ANY DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. EACH RECIPIENT, BY ACCEPTING DELIVERY OF THIS PRIVATE PLACEMENT MEMORANDUM, AGREES TO THE FOREGOING AND TO MAKE NO PHOTOCOPIES OF THIS PRIVATE PLACEMENT MEMORANDUM OR ANY DOCUMENTS

REFERRED TO HEREIN.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FEDERATED DEPARTMENT STORES, INC.

SUMMARY OF TERMS

ISSUER: Federated Department Stores, Inc. ("Federated" or the "Company"), a corporation incorporated under the laws of Delaware.

PROGRAM SIZE: Authorized to a maximum outstanding of $400,000,000.

PLACEMENT AGENTS: Citicorp Securities, Inc. and Lehman Brothers Inc.

SECURITIES: Unsecured notes (the "Notes"), ranking pari passu with all other unsecured and unsubordinated indebtedness of the Company.

RATINGS:

	S&P	Moody's
Commercial Paper	Not Rated	Not Rated
Senior Secured	BB+	n/a
Senior Unsecured	BB-	Bal
Subordinated Unsecured	BB-	Ba3

EXEMPTION: The Notes are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2), and cannot be resold unless registered or an exemption from registration is available.

OFFERING PRICE: Par less a discount representing an interest factor, or if interest bearing, at par.

DENOMINATIONS: Minimum of $250,000.

MATURITIES: Up to 270 days from date of issue.

REDEMPTION: The Notes will not be redeemed prior to maturity or be subject to voluntary prepayment.

FORM: Each Note will be evidenced by (i) a note certificate issued in bearer form or (ii) a master note registered in the name of the nominee of The Depository Trust Company ("DTC"). The master note (the "Book-Entry Note") will be deposited with the Issuing and Paying Agent as subcustodian for DTC or its successor. DTC will record, by appropriate entries on its book-entry registration and transfer system, the respective amounts payable in respect of the Book-Entry Note. Payments by DTC participants to purchasers for whom a DTC participant is acting as agent in respect of the Book-Entry Note will be governed by the standing instructions and customary practices under which securities are held at DTC through DTC participants.

SETTLEMENT: Unless otherwise agreed to, same day basis, in immediately available funds.

ISSUING AND PAYING AGENT: Citibank, N.A.
399 Park Avenue
New York, NY 10043

BUSINESS

The Company is one of the leading operators of full-line department stores in the United States, with 409 department stores in 33 states as of November 2, 1996. The Company's 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. The Company's department stores are located at urban or suburban sites, principally in densely populated areas across the United States. The Company also operates more than 150 specialty stores under the names "Aeropostale" and "Charter Club," and a mail order catalog business under the name "Bloomingdale's By Mail."

The following table sets forth certain information with respect to each of the Company's retail operating divisions:

<TABLE>
<CAPTION>

	February 3, 1996	
	Number of Stores	Gross Square Feet(a)
		(thousands)
<S>	<C>	<C>
Bloomingdale's	17	4,689
The Bon Marche	41	4,960
Burdines	47	7,884
Macy's East	89	23,355
Macy's West	116	22,518
Rich's/Lazarus/Goldsmith's. .	75	14,672
Stern's	27	5,425
Macy's Specialty	153	555
Total	565	84,058

<FN>

(a) Reflects total square footage of store locations, including office, storage, service and other support space that is not dedicated to direct merchandise sales, but excluding warehouses and distribution terminals not located at store sites.

</TABLE>

In general, each of the Company's retail operating divisions is a separate subsidiary of the Company. However, the Macy's West division and the Rich's/Lazarus/Goldsmith's division each comprises three separate subsidiaries of the Company.

The Company and its predecessors have been operating department stores since 1830. Federated was organized as a Delaware corporation in 1929. On February 4, 1992, Allied Stores Corporation ("Allied") was merged into Federated. On May 26,

1994, Federated acquired Joseph Horne Co., Inc. pursuant to a subsidiary merger. On December 19, 1994, Federated acquired R. H. Macy & Co., Inc. ("Macy's") pursuant to a merger. On October 11, 1995, the Company acquired Broadway Stores, Inc. ("Broadway")

pursuant to a subsidiary merger, with the results of operations of Broadway being included in the Company's results of operations since July 29, 1995.

Federated, Allied and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies") were reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization which became effective on February 4, 1992. Macy's and substantially all of its subsidiaries (the "Macy's Debtors") were reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization which became effective on December 19, 1994. Broadway was reorganized under chapter 11 of the United States Bankruptcy Code pursuant to a plan of reorganization which became effective on October 8, 1992. For additional information regarding the respective reorganization proceedings of the Federated/Allied Companies, the Macy's Debtors and Broadway, see Item 3 "Legal Proceedings," the Company's Annual Report Form 10-K for the period ended February 3,1996.

<TABLE>
<CAPTION>

FINANCIAL HIGHLIGHTS

	39 Weeks Ended November 2, 1996	39 Weeks Ended October 28, 1995	52 Weeks Ended February 3, 1996	52 Weeks Ended January 28, 1995
	(millions, except share data)			
<S>	<C>	<C>	<C>	<C>
Net Sales	$ 10,194	$ 9,784	$ 15,049	$ 8,316
Operating Income Excluding unusual items(1)	539	355	982	635
% of Sales	5.3%	3.6%	6.5%	7.6%
EBITDA (2)	941	720	1,479	921
% of Sales	9.2%	7.4%	9.8%	11.1%
Net Income (1)				
Excluding Unusual Items	111	(26)	269	239
Including Unusual Items	(23)	(170)	75	188
Earnings Per Share(1)				
Excluding Unusual Items	$ .53	$ (.14)	$ 1.40	$ 1.80
Including Unusual Items	$ (.11)	$ (.91)	$ .39	$ 1.41

The foregoing information is qualified in its entirety by reference to the reports and information described below under the "Available Information."

<FN>

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(1) Unusual items represent business and consolidation expenses for all periods and the charitable contribution to the Federated Department Stores Foundation in 1995.

(2) EBITDA represents earnings before interest, taxes, depreciation, amortization, and unusual items.

</TABLE>

BANK FACILITIES

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The Company maintains bank borrowing facilities sufficient to support the commercial paper outstanding.

AVAILABLE INFORMATION
- ---

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected without charge at the public reference facilities maintained by the Commission at 450 Fifth Street, NW, Washington, D.C. 20549, and at the Regional Offices of the Commission. Copies thereof may be obtained from the Commission upon payment of the prescribed fees. If available, such reports and other information may also be accessed through the Commission's electronic data gathering, analysis and retrieval system ("EDGAR") via electronic means, including the Commission's web site on the Internet (http://www.sec.gov). The Company will provide without charge to each purchaser of the Notes, upon oral or written request, a copy of any and all documents filed by the Company with the Commission and any and all publicly available financial information. The Company, Citicorp Securities, Inc. and Lehman Brothers Inc. are offering the opportunity to each prospective purchaser prior to purchasing any Notes, to ask questions of, and receive answers from, the Company, Citicorp Securities, Inc. and Lehman Brothers Inc. concerning the offering of the Notes and to obtain any relevant information to the extent the information is not confidential or non-public information and to the extent the Company, Citicorp Securities, Inc. or Lehman Brothers Inc. possesses such information or can acquire it without unreasonable effort or expense.

Requests should be directed to: Susan Robinson, Investor Relations, Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202, telephone (513) 579-7028. Any other questions can be directed to Christopher J. Kulusic at Citicorp Commercial Paper Investor Marketing, 399 Park Avenue, 11th Floor/ Zone 13, New York, New York 10043, telephone (212) 559-8617 or Michele Mahoney at Lehman Brothers Inc., 3 World Financial Center, New York, New York 10285-1200, telephone (212)526-6092.

As consideration for the Placement Agents' services in connection with the sales of the Notes, the Company has agreed to pay compensation to the Placement Agents which may be in the form of discounts. Compensation of the Placement Agents may be deducted from the sale proceeds of the Notes prior to remittance to the Company or the Depositary. The Company has agreed to indemnify the Placement Agents and their affiliates for certain liabilities, including certain liabilities under the Act, and to contribute to payments the Placement Agents may be required to make in respect thereof.

CITICORP SECURITIES, INC. AND LEHMAN BROTHERS INC. MAY FROM TIME TO TIME ACT AS UNDERWRITERS FOR PUBLIC OFFERINGS OF, OR MAKE A MARKET FOR, SECURITIES OF THE COMPANY OR ITS AFFILIATES AND MAY HAVE A LONG OR SHORT POSITION IN SUCH SECURITIES. ALTHOUGH CITICORP SECURITIES, INC. AND LEHMAN BROTHERS INC. MAY PURCHASE AND SELL, AS PRINCIPAL OR AGENT, OUTSTANDING COMMERCIAL PAPER OF THE COMPANY, CITICORP SECURITIES, INC. AND LEHMAN BROTHERS INC. ASSUME NO OBLIGATION TO PURCHASE OR MAKE A MARKET IN ANY SUCH OUTSTANDING COMMERCIAL PAPER.

Citicorp Securities, Inc. and certain of its affiliates have provided from time to time, and expect to provide in the future, investment and commercial banking services to the Company and certain of its affiliates in the ordinary course of business.

Citicorp Securities, Inc. is a wholly owned subsidiary of Citicorp and is a broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc.

Citicorp Securities, Inc. is not a bank and is a separate corporate entity from Citibank, N.A. and other banks and thrifts which are subsidiaries of Citicorp. Unless otherwise stated as the case, the securities sold, offered, or recommended by Citicorp Securities, Inc. are not deposits, are not insured by

the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, are not guaranteed by a bank or thrift affiliated with Citicorp Securities, Inc. and are not otherwise an obligation or responsibility of such an affiliated bank or thrift.

Exhibit 10.26

COMMERCIAL PAPER DEALER AGREEMENT

between

Federated Department Stores, Inc., as Issuer

and

Lehman Brothers Inc., as Dealer

Concerning Notes to be issued pursuant to an Issuing and Paying Agency Agreement dated as of January 30, 1997 between the Issuer and Citibank, N.A., as Issuing and Paying Agent

Dated As Of
January 30, 1997

COMMERCIAL PAPER DEALER AGREEMENT

This agreement ("Agreement") sets forth the understandings between the Issuer and the Dealer in connection with the issuance and sale by the Issuer of its short-term promissory notes through the Dealer (the "Notes").

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

Section 1. OFFERS, SALES AND RESALES OF NOTES

1.1 While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein. Subject to the foregoing, the Dealer will use all reasonable efforts to arrange sales of the Notes at the times and in the amounts requested by the Issuer.

1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, the Issuer shall not, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer one or more agreements which contain provisions substantially identical to Section 1 of this Agreement, of which the Issuer hereby undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.

1.3 The Notes shall be in a minimum denomination or minimum amount, whichever is applicable, of $250,000 or integral multiples of $1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturing not exceeding 270 days from the date of issuance (exclusive of days of grace) and shall not contain any provision for

extension, renewal or automatic "rollover."

1.4 The authentication, delivery and payment of the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement and the Notes shall be either individual bearer physical certificates or represented by book-entry Notes registered in the name of DTC or its nominee in the form or forms annexed to the Issuing and Paying Agency Agreement. The Dealer agrees to keep

confidential the user number identification and password given to it pursuant to the Issuing and Paying Agency Agreement.

1.5 If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure and an appropriate book-entry credit in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer shall reimburse the Dealer on an equitable basis for the Dealer's loss of the use of such funds for the period such funds were credited to the Issuer's account.

1.6 All offers and sales of the Notes by the Issuer shall be effected pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. The Dealer and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes shall be made only to the following types of investors: (i) investors reasonably believed by the Dealer to be Institutional Accredited Investors or Sophisticated Individual Accredited Investors, (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is an Institutional Accredited Investor or Sophisticated Individual Accredited Investor, and (iii) Qualified Institutional Buyers.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legends described in clause (e) below.

(c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing; without the prior written approval of Dealer, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes. The Dealer shall not use any materials other than the Private Placement Memorandum as then approved by the Issuer in connection with the offer and sale of the Notes.

(d) No sale of Notes to any one purchaser shall be for less than $250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least $250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under

the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with

offers and sales of Notes hereunder, as well as on each Note offered and sold pursuant to this Agreement.

(f) Dealer shall furnish or shall have furnished to each purchaser of Notes being sold to an ultimate purchaser for the first time a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer may be obtained.

(g) The Issuer agrees, for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer will furnish, upon request and at its expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to Dealer an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

1.7 The Issuer hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes as follows:

The Issuer represents and agrees that the proceeds of the sale of the Notes are not currently contemplated to be used for the purpose of buying, carrying or trading securities within the meaning of Regulation T and the interpretations thereunder by the Board of Governors of the Federal Reserve System. In the event that the Issuer determines to use such proceeds for the purpose of buying, carrying or trading securities, whether in connection with an acquisition of another company or otherwise, the Issuer shall give the Dealer at least five business days' prior written notice to that effect. The Issuer shall also give the Dealer prompt notice of the actual date that it commences to purchase securities with the proceeds of the Notes. Thereafter, in the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes only to offerees it reasonably believes to be QIBs or to QIBs it reasonably believes are acting for other QIBs, in each case in accordance with Rule 144A.

Section 2. Representations and Warranties of Issuer.

The Issuer represents and warrants that:

2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all the requisite corporate power and authority to execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agency Agreement.

2.2 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of

the Issuer enforceable against the Issuer in accordance with their terms subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.3 The Notes have been duly authorized, and when issued and delivered as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and delivered and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.4 The offer and sale of Notes in the manner contemplated hereby do not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. Neither the Issuer nor any affiliate (as defined in Regulation 501(b) of Regulation D), will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which will be integrated with the sale of the Notes in a manner which would require the registration of the Notes under the Securities Act.

2.5 The Notes are unsecured and unsubordinated indebtedness of the Issuer.

2.6 No consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC (except for the filing of a Form D with the SEC), is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.

2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, nor the issuance and delivery of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or an event of default under any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or event of default might have a material adverse effect on the condition (financial or otherwise), operations or reasonably foreseeable business prospects of the Issuer and its subsidiaries taken as a whole or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement (a "Material Adverse Effect").

2.8 There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might result in a Material Adverse Effect.

2.9 The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

2.10 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Dealer Information.

2.11 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth above in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or reasonably foreseeable business prospects of the Issuer and its subsidiaries, taken as a whole which has not been disclosed to the Dealer in writing.

Section 3. Covenants and Agreements of Issuer

The Issuer covenants and agrees that:

3.1 The Issuer will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of, or waiver with respect to, the Notes or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.

3.2 The Issuer shall, whenever there shall occur any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Issuer's securities by any national recognized statistical rating organization which has published a rating of the Notes, promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such changes, development, or occurrence.

3.3 The Issuer shall from time to time furnish to the Dealer such information as the Dealer may reasonably request (other than material non-public information), including, without limitation, any press releases or material provided by the Issuer to any national securities exchange or rating agency, regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes, and (iii) the Issuer's ability to pay the Notes as they mature.

3.4 The Issuer will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws; provided, that the Issuer shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.

3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) an opinion of counsel to the Issuer, addressed to the Dealer, substantially in the form attached hereto, (b) a copy of the executed Issuing and Paying Agency Agreement, (c) a copy of resolutions adopted by the Board of Directors of the Issuer, in the form attached hereto and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement the Issuing and Paying Agency Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e)

such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.

3.7 The Issuer shall reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including reasonable expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

Section 4. DISCLOSURE

4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

4.2 The Issuer agrees promptly to furnish the Dealer the Company Information as it becomes available.

4.3 (a) The Issuer further agrees to notify the Dealer promptly upon the occurrence of any event relating to or affecting the Issuer that would cause the Private Placement Memorandum or the Company Information then in existence to include an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

(b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that such Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer and prospective holders of the Notes.

(c) In the event that (i) the Issuer gives the Dealer notice pursuant to Section 4.3(a) and (ii) the Dealer does not notify the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer and prospective holders of the Notes.

Section 5. INDEMNIFICATION AND CONTRIBUTION

5.1 The Issuer, as the Indemnifying Party, will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Dealer Indemnitees") against any and all liabilities, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Dealer Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer in writing expressly for inclusion in the Private Placement Memorandum included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the

statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

5.2 The Dealer, as the Indemnifying Party, will indemnify and hold harmless the Issuer, each individual, corporation, partnership, trust, association or other entity controlling the Issuer, any affiliate of the Issuer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Issuer Indemnitees") against any and all Claims imposed upon, incurred by or asserted against the Issuer Indemnitees arising out of or based upon any allegation that the Dealer Information included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.3 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.

5.4 If the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless an Indemnitee under Sections 5.1 or 5.2 in respect of a Claim, although applicable in accordance with the terms of this Section 5, each Indemnifying Party shall contribute to the amount paid or payable by such Indemnitee as a result of such Claim in such proportion as is appropriate to reflect the relative benefits received by the Issuer on the one hand and the Dealer on the other from the offering of the Notes, provided, however, that any such contribution by the Dealer shall not be in excess of the benefits received by it from the offering of the Notes. The respective benefits received by the Issuer and the Dealer shall be deemed to be the aggregate net proceeds received by the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 6. DEFINITIONS

6.1 "Claim" shall have the meaning set forth in Section 5.1.

6.2 "Company Information" at any given time shall mean, to the extent applicable, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for dissemination to investors or potential investors in the Notes.

6.3 "Dealer Information" shall mean statements concerning the Dealer or other matters and provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.

6.4 "DTC" shall mean The Depository Trust Company.

6.5 "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

6.6 "Indemnifying Party" shall have the meaning set forth in Section 5.

6.7 "Indemnitees" shall mean the Dealer Indemnitees or the Company Indemnitees (as such terms are defined in Sections 5.1 and 5.2) as the context shall require.

6.8 "Institutional Accredited Investor" shall mean an institutional

investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

6.9 "Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.

6.10 "Issuing and Paying Agent" shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement.

6.11 "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

6.12 "Private Placement Memorandum" shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).

6.13 "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.

6.14 "Rule 144A" shall mean Rule 144A under the Securities Act.

6.15 "SEC" shall mean the U.S. Securities and Exchange Commission.

6.16 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

6.17 "Sophisticated Individual Accredited Investor" shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of evaluating and bearing the economic risk of an investment in the Notes and (ii) having a net worth of at least $5 million.

Section 7. GENERAL

7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

7.3 The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH OF THE DEALER AND THE ISSUER WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day's prior notice to such effect to the Dealer, or by the Dealer upon one business day's prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the parties under Sections 3.7, 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

7.5 This Agreement is not assignable by either party hereto without the written consent of the other party, which consent shall not be unreasonably withheld.

7.6 This Agreement is for the exclusive benefit of the parties hereto, and their respective successors and permitted assigns hereunder, and (to the extent provided in Section 5) the Indemnitees, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever. No purchaser of any of the Notes from the Dealer shall be deemed a successor or assign by reason merely of such purchase.

7.7 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written:

Federated Department Stores, Inc. as Issuer

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Senior Vice President

Lehman Brothers Inc. as Dealer

By: /s/ Herbert McDade

Name: Herbert McDade
Title: Managing Director

ADDENDUM

1. The other dealers referred to in clause (b) of Section 1.2 of the Agreement are Citicorp Securities, Inc.

2. Intentionally Omitted.

3. The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer: Federated Department Stores, Inc.

Address: 7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Susan P. Storer
Telephone number: 513/579-7775
Fax number: 513/579-7393

For the Dealer: Lehman Brothers Inc.

Address: 3 World Financial Center
New York, New York 10285
Attention: Commercial Paper Product Management
Telephone number: 212/526-7000
Fax number: 212/528-6925

EXHIBIT A

FORM OF LEGEND FOR
PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) WITH SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT IT IS CAPABLE OF EVALUATING AND BEARING THE RISKS OF AN INVESTMENT IN THE NOTES AND THAT EITHER IT IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(a) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (i) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT SUCH PURCHASER IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES, OR (ii) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO CITICORP SECURITIES, INC. OR LEHMAN BROTHERS INC., OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE

"PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR OR HIGHLY SOPHISTICATED INDIVIDUAL INVESTOR OR A QIB BY A PLACEMENT AGENT, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF $250,000.

EXHIBIT B

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

(a) The Indemnifying Party agrees to reimburse each Indemnitee for all

expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).

(b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Indemnifying Party, notify the Indemnifying Party in writing of the existence thereof, provided that (i) the omission so to notify the Indemnifying Party will not relieve it from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Indemnifying Party of substantial rights and defenses, and (ii) the omission so to notify the Indemnifying Party will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Indemnifying Party of the existence thereof, the Indemnifying Party will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Indemnifying Party and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party, the Indemnifying Party shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Indemnifying Party to such Indemnitee of the Indemnifying Party's election so to assume the defense of such Claim and approval by the Indemnitee of counsel, the Indemnifying Party will not be liable to such Indemnitee for expenses incurred thereafter by the Indemnitee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnitee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Indemnifying Party shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnitee to represent the Indemnitee within a reasonable time after notice of existence of the Claim or (iii) the Indemnifying Party has authorized in writing the employment of counsel for the Indemnitee. The indemnity, reimbursement and contribution obligations of the Indemnifying Party hereunder shall be in addition to any other liability the Indemnifying Party may otherwise have to an Indemnitee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Indemnifying Party and any Indemnitee. The Indemnifying Party agrees that without the Indemnitee's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement, unless such settlement, compromise or consent includes an unconditional release of each Indemnitee from all liability arising out of such Claim.

Exhibit 10.38

FEDERATED DEPARTMENT STORES, INC.

1995 EXECUTIVE EQUITY INCENTIVE PLAN

(AS AMENDED AND RESTATED AS OF FEBRUARY 28, 1997)

Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby amends and restates this 1995 Executive Equity Incentive Plan (this "Plan") effective as of February 28, 1997 (the "Effective Date").

1. PURPOSE. The purpose of this Plan is to attract and retain directors, officers, and other key executives and employees of the Company and its subsidiaries and to provide to such persons incentives and rewards relating to the Company's business plans.

2. DEFINITIONS. In addition to the terms defined elsewhere herein, the following terms have the following meanings when used herein with initial capital letters:

(a) "Appreciation Right" means a right granted pursuant to Section 5.

(b) "Board" means the Board of Directors of the Company or, pursuant to any delegation by the Board to the Compensation Committee pursuant to Section 11, the Compensation Committee.

(c) "Change in Control" means the occurrence of any of the following events:

(i) The Company is merged, consolidated, or reorganized into or with another corporation or other legal entity, and as a result of such merger, consolidation, or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation or entity immediately after such transaction are held in the aggregate by the holders of the then-outstanding securities entitled to vote generally in the election of directors of the Company (the "Voting Stock") immediately prior to such transaction;

(ii) The Company sells or otherwise transfers all or substantially all of its assets to another corporation or other legal entity and, as a result of such sale or transfer, less than a majority of the combined voting power of the then-outstanding securities of such other corporation or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer.

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report or item therein), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 30% or more of the combined voting power of the Voting Stock of the Company;

(iv) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form, or report or item therein) that a change in control of the Company has occurred or will occur in the future pursuant to any then-existing contract or transaction; or

(v) If, during any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of

the Company cease for any reason to constitute at least a majority thereof; provided, however, that for purposes of this clause (v) each director who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least two-thirds of the directors of the Company (or a committee thereof) then still in office who were directors of the Company at the beginning of any such period will be deemed to

have been a director of the Company at the beginning of such period.

Notwithstanding the foregoing provisions of Section 2(d)(iii) or 2(d)(iv), unless otherwise determined in a specific case by majority vote of the Board, a "Change in Control" will not be deemed to have occurred for purposes of Section 2(d)(iii) or 2(d)(iv) solely because (1) the Company, (2) a Subsidiary, or (3) any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K, or Schedule 14A (or any successor schedule, form, or report or item therein) under the Exchange Act disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 30% or otherwise, or because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Common Shares" means shares of Common Stock of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 8.

(f) "Compensation Committee" means a committee appointed by the Board in accordance with the By-Laws of the Company consisting of at least three Non-Employee Directors.

(g) "Date of Grant" means the date determined in accordance with the Board's authorization on which a grant of Option Rights or Appreciation Rights, or a grant of Restricted Shares, becomes effective.

(h) "Immediate Family" has the meaning ascribed thereto in Rule 16a-1(e) under the Exchange Act.

(i) "Incentive Stock Options" means Option Rights that are intended to qualify as "incentive stock options" under Section 422 of the Code or any successor provision.

(j) "Market Value per Share" means any of the following, as determined in accordance with the Board's authorization: (i) the closing sale price per share of the Common Shares as reported in the New York Stock Exchange Composite Transactions Report (or any other consolidated transactions reporting system which subsequently may replace such Composite Transactions Report) for the New York Stock Exchange (the "NYSE") trading day immediately preceding the date determined in accordance with the Board's authorization, or if there are no sales on such date, on the next preceding day on which there were sales, (ii) the average (whether weighted or not) or mean price, determined by reference to the closing sales prices, average between the high and low sales prices, or any other standard for determining price adopted by the Board, per share of the Common Shares as reported in the NYSE Composite Transactions Report as of the date or for the period determined in accordance with the Board's authorization, or (iii) in the event that the Common Shares are not listed for trading on the NYSE as of a relevant Date of Grant, an amount determined in accordance with standards adopted by the Board.

(k) "Non-Employee Director" means a Director of the Company who is not a full-time employee of the Company or any Subsidiary.

(l) "Nonqualified Stock Option" means Option Rights other than Incentive Stock Options.

(m) "Optionee" means the optionee named in an agreement with the Company evidencing an outstanding Option Right.

(n) "Option Price" means the purchase price payable on exercise of an Option Right.

(o) "Option Right" means the right to purchase Common Shares upon exercise

of an option granted pursuant to Section 4.

(p) "Participant" means a person who is approved by the Board to receive benefits under this Plan and who is at the time an officer, executive, or other employee of the Company or any one or more of its Subsidiaries, or who has agreed to commence serving in any of such capacities, and also includes each Non-Employee Director.

(q) "Restricted Shares" means Common Shares issued pursuant to Section 6 as to which neither the substantial risk of forfeiture nor the prohibition on transfers referred to in Section 6 has expired.

(r) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act (or any successor rule substantially to the same effect), as in effect from time to time.

(s) "Spread" means the excess of the Market Value per Share of the Common Shares on the date when an Appreciation Right is exercised, or on the date when Option Rights are surrendered in payment of the Option Price of other Option Rights, over the Option Price provided for in the related Option Right.

(t) "Subsidiary" has the meaning specified in Rule 405 promulgated under the Securities Act of 1933, as amended (or in any successor rule substantially to the same effect).

3. SHARES AVAILABLE UNDER THE PLAN. Subject to adjustment as provided in Section 8, the number of Common Shares that may be issued or transferred under this Plan upon the exercise of Option Rights or Appreciation Rights or as Restricted Shares and released from substantial risks of forfeiture thereof, may not exceed the sum of (i) 10.0 million and (ii) the number of shares which would otherwise have been available for issuance under the 1992 Equity Plan upon the effectiveness of this Plan. The aggregate number of Common Shares issued under this Plan upon the grant of Restricted Shares may not exceed the number of shares which would otherwise have been available for issuance as restricted shares under the 1992 Equity Plan as of the Effective Date. Shares issued under this Plan may be shares of original issuance or treasury shares or a combination of the foregoing. No Participant will be granted Option Rights or Appreciation Rights, in the aggregate, for more than 500,000 Common Shares in any period of three fiscal years of the Company, subject to adjustment as provided in Section 8.

4. OPTION RIGHTS. The Board may from time to time authorize the grant to Participants of options to purchase Common Shares upon such terms and conditions as it may determine in accordance with the following provisions:

(a) Each grant will specify the number of Common Shares to which it pertains and the term during which the rights granted thereunder will exist. The aggregate number of Common Shares to which the grants to any Non-Employee Director in any fiscal year of the Company pertain shall not exceed 3500 (subject to adjustment as provided in Section 8).

(b) Each grant will specify an Option Price per share, which may not be less than the Market Value per Share as of the Date of Grant.

(c) Each grant will specify whether the Option Price is payable (i) in cash, (ii) by the actual or constructive transfer to the Company of nonforfeitable, unrestricted Common Shares already owned by the Optionees (or other consideration authorized pursuant to Section 4(d)) having an actual or constructive value as of the time of exercise as determined by the Board or in accordance with the applicable agreement referred to in Section 4(i), equal to the total Option Price, or (iii) by a combination of such methods of payment.

(d) The Board may determine, at or after the Date of Grant, that

payment of the Option Price of any option (other than an Incentive Stock Option) may also be made in whole or in part in the form of Restricted Shares or other Common Shares that are forfeitable or subject to restrictions on transfer, or other Option Rights (based on the Spread on the date of exercise). Unless otherwise determined by the Board at or after the Date of Grant, whenever any Option Price is paid in whole or in part by means of any of the forms

of consideration specified in this paragraph, the Common Shares received upon the exercise of the Option Rights will be subject to such risks of forfeiture or restrictions on transfer as may correspond to any that apply to the consideration surrendered, but only to the extent of (i) the number of shares surrendered in payment of the Option Price or (ii) the Spread of any unexercisable portion of Option Rights surrendered in payment of the Option Price.

(e) Any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on the exercise date of some or all of the shares to which such exercise relates.

(f) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised.

(g) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary which is necessary before the Option Rights or installments thereof will become exercisable and may provide for the earlier exercise of such Option Rights in the event of a Change in Control or other event.

(h) Option Rights granted under this Plan may be (i) Incentive Stock Options, (ii) Nonqualified Stock Options, or (iii) combinations of the foregoing.

(i) Each grant of Option Rights will be evidenced by an agreement executed on behalf of the Company by any officer, director, or, if authorized by the Board, employee of the Company and delivered to the Optionee and containing such terms and provisions as the Board may approve, except that in no event will any such agreement include any provision prohibited by the express terms of this Plan.

5. APPRECIATION RIGHTS. The Board may also authorize the grant to any Optionee (other than a Non-Employee Director) of Appreciation Rights in respect of Option Rights granted hereunder. An Appreciation Right will be a right of the Optionee, exercisable by surrender of the related Option Right or in accordance with the applicable agreement referred to in Section 5(f), to receive from the Company an amount, as determined by the Board, which will be expressed as a percentage of the Spread at the time of exercise. Each such grant will be in accordance with the following provisions:

(a) Any grant may provide that the amount payable on exercise of an Appreciation Right may be paid by the Company in cash, in Common Shares, or in any combination thereof and may either grant to the Optionee or retain in the Board the right to elect among those alternatives.

(b) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Board as of the Date of Grant.

(c) Any grant may specify waiting periods before exercise and permissible exercise dates or periods and will provide that no Appreciation Right may be exercised except at a time when the related Option Right is also exercisable and at a time when the Spread is positive.

(d) Any grant may specify that such Appreciation Right may be exercised only in the event of a Change in Control or other event.

(e) Any grant may provide that, in the event of a Change in Control, then any such Appreciation Right will automatically be deemed to have been exercised by the Optionee, the related Option Right will be deemed to have been surrendered by the Optionee and will be cancelled, and the Company forthwith upon the consummation thereof will pay to the Optionee in cash an

amount equal to the Spread at the time of such consummation.

(f) Each grant of Appreciation Rights will be evidenced by an agreement executed on behalf of the Company by any officer, director, or, if authorized by the Board, employee of the Company and delivered to and accepted by the Optionee, which agreement will describe such Appreciation Rights, identify the related Option Rights, state that such

Appreciation Rights are subject to all the terms and conditions of this Plan, and contain such other terms and provisions as the Board may approve, except that in no event will any such agreement include any provision prohibited by the express terms of this Plan.

6. RESTRICTED SHARES. The Board may also authorize the issuance or transfer of Restricted Shares to Participants (other than Non-Employee Directors) in accordance with the following provisions:

(a) Each such issuance or transfer will constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend, and other ownership rights, but subject to the substantial risk of forfeiture provided below.

(b) Each such issuance or transfer may be made without additional consideration.

(c) Each such issuance or transfer will provide that the Restricted Shares covered thereby will be subject, except (if the Board so determines) in the event of a Change in Control or other event specified in the agreement referred to in Section 6(e), for a period to be determined by the Board at the Date of Grant, to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code.

(d) Each such issuance or transfer will provide that during the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares will be prohibited or restricted in the manner and to the extent prescribed in or pursuant to the agreement referred to in Section 6(e) (which restrictions may include, without limitation, rights of repurchase or first refusal or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee).

(e) Each issuance or transfer of Restricted Shares will be evidenced by an agreement executed on behalf of the Company by any officer, director, or, if authorized by the Board, employee of the Company and delivered to and accepted by the Participant and containing such terms and provisions as the Board may approve except that in no event will any such agreement include any provision prohibited by the express terms of the Plan. All certificates representing Restricted Shares will be held in custody by the Company until all restrictions thereon have lapsed, together with a stock power executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such Restricted Shares, which may be executed by any officer of the Company upon a determination by the Board that an event causing the forfeiture of the Restricted Shares has occurred.

7. TRANSFERABILITY. (a) Except as provided in Section 7(b), no Option Right, Appreciation Right, or Restricted Share granted, issued, or transferred under this Plan will be transferable otherwise than (i) upon death, by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order, as that term is defined in the Code or the rules thereunder Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules thereunder, or (iii) to a fully revocable trust of which the Optionee is treated as the owner for federal income tax purposes.

(b) Notwithstanding the provisions of Section 7(a), Option Rights, Appreciation Rights, and Restricted Shares (including Option Rights, Appreciation Rights, and Restricted Shares granted, issued, or transferred under this Plan prior to the Effective Date) will be transferable by a Participant who at the time of such transfer is eligible to earn "Long-Term Incentive Awards" under the Company's 1992 Incentive Bonus Plan, as amended (or any successor plan thereto), without payment of consideration therefor

by the transferee, to any one or more members of the Participant's Immediate Family (or to one or more trusts established solely for the benefit of one or more members of the Participant's Immediate Family or to one or more partnerships in which the only partners are members of the Participant's Immediate Family); provided, however, that (i) no such transfer will be effective unless reasonable prior notice thereof is delivered to the Company and such transfer is thereafter effected in accordance with any terms and conditions that shall have been made applicable thereto by the Company or the Board and (ii) any such transferee will be subject to the same terms and conditions hereunder as the Participant.

(c) The Board may specify at the Date of Grant that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or Appreciation Rights or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6, will be subject to further restrictions on transfer.

8. ADJUSTMENTS. The Board may make or provide for such adjustments in the numbers of Common Shares covered by outstanding Option Rights or Appreciation Rights granted hereunder, in the prices per share applicable to such Option Rights and Appreciation Rights, and in the kind of shares covered thereby, as the Board may determine is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization, or other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation, or other distribution of assets or issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing; provided, however, that no such adjustment in the numbers of Common Shares covered by outstanding Option Rights or Appreciation Rights will be made unless such adjustment would change by more than 5% the number of Common Shares issuable upon exercise of Option Rights or Appreciation Rights; provided, further, however, that any adjustment which by reason of this Section 8 is not required to be made currently will be carried forward and taken into account in any subsequent adjustment. In the event of any such transaction or event, the Board may provide in substitution for any or all outstanding awards under this Plan such alternative consideration as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards so replaced. The Board may also make or provide for such adjustments in the numbers of shares specified in Section 3 as the Board may determine is appropriate to reflect any transaction or event described in this Section 8.

9. FRACTIONAL SHARES. The Company will not be required to issue any fractional Common Shares pursuant to this Plan. The Board may provide for the elimination of fractions and for the settlement of fractions in cash.

10. WITHHOLDING TAXES. To the extent that the Company is required to withhold federal, state, local, or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements may include relinquishment of a portion of such benefit.

11. ADMINISTRATION OF THE PLAN. (a) This Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Plan to the Compensation Committee or any subcommittee thereof.

(b) The Board will take such actions as are required to be taken by it hereunder, may take the actions permitted to be taken by it hereunder, and will have the authority from time to time to interpret this Plan and to adopt, amend, and rescind rules and regulations for implementing and administering this Plan. All such actions will be in the sole discretion of the Board, and when taken, will be final, conclusive, and binding. Without limiting the generality or effect of the foregoing, the interpretation and construction by the Board of any provision of this Plan or of any agreement, notification, or document evidencing the grant of Option Rights, Appreciation Rights, or Restricted Shares, and any determination by the Board in its sole discretion pursuant to any provision of this Plan or of

any such agreement, notification, or document will be final and conclusive. Without limiting the generality or effect of any provision of the Certificate of Incorporation of the Company, no member of the Board will be liable for any such action or determination made in good faith.

(c) The provisions of Sections 4, 5, and 6 will be interpreted as authorizing the Board, in taking any action under or pursuant to this Plan, to take any action it determines in its sole discretion to be appropriate subject only to the express limitations therein contained and no authorization in any such Section or other provision of this Plan is intended or may be deemed to constitute a limitation on the authority of the Board.

(d) The existence of this Plan or any right granted or other action taken pursuant hereto will not affect the authority of the Board or the Company to take any other action, including in respect of the grant or award of any option, security, or other right or benefit, whether or not authorized by this Plan, subject only to limitations imposed by applicable law as from time to time applicable thereto.

12. AMENDMENTS, ETC. (a) This Plan may be amended from time to time by the Board, but without further approval by the holders of a majority of the Common Shares present in person or by proxy at a meeting of the Company's stockholders and entitled to vote generally in the election of directors, or such other approval as may be required by Rule 16b-3, no such amendment will (i) increase the maximum numbers of Common Shares or Restricted Shares issuable pursuant to Section 3 or the maximum number of Common Shares that may be subject to Option Rights or Appreciation Rights granted to any Participant in any period of three fiscal years of the Company (except that adjustments and additions authorized by this Plan will not be limited by this provision) or (ii) cause Rule 16b-3 to become inapplicable to this Plan or Option Rights, Appreciation Rights, or Restricted Shares granted, issued, or transferred hereunder during any period in which the Company has any class of equity securities registered pursuant to Section 13 or 15 of the Exchange Act.

(b) The Board may, with the concurrence of the affected Optionee, cancel any agreement evidencing Option Rights or any other award granted under this Plan. In the event of such cancellation, the Board may authorize the granting of new Option Rights or other awards hereunder (which may or may not cover the same number of Common Shares which had been the subject of the prior award) in such manner, at such option price, and subject to such other terms, conditions, and discretions as would have been applicable under this Plan had the canceled Option Rights or other award not been granted.

(c) In case of termination of employment by reason of death, disability, or normal or early retirement, or in the case of hardship or other special circumstances, of a Participant who holds an Option Right or Appreciation Right not immediately exercisable in full, or any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or who holds Common Shares subject to any transfer restriction imposed pursuant to Section 7(b), the Board may take such action as it deems equitable in the circumstances or in the best interests of the Company, including without limitation waiving or modifying any other limitation or requirement under any such award.

(d) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate or modify the terms of such Participant's employment or other service at any time.

(e) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right, but will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.

(f) This Plan will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof. If any provision of this Plan is held to be invalid or unenforceable, no other provision of this Plan will be affected thereby.

Exhibit 10.44

EMPLOYMENT AGREEMENT

Entered into on March 10, 1997

between

FEDERATED CORPORATE SERVICES, INC.

and

JAMES M. ZIMMERMAN

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made in the City of Cincinnati and State of Ohio, on the 10th day of March, 1997 (the "Agreement Effective Date"), between Federated Corporate Services, Inc., a Delaware corporation (hereinafter called the "Employer"), and James M. Zimmerman of Cincinnati, Ohio (hereinafter called the "Employee").

RECITALS

Employer and Employee are parties to an Employment Agreement dated as of December 9, 1994.

Employer and Employee are desirous of entering into a new employment agreement with a term commencing on May 16, 1997.

IT IS AGREED by and between the parties hereto as follows:

ARTICLE I

EMPLOYMENT

1.1 TERM AND DUTIES. The Employer agrees to and does employ the Employee to perform the duties of Chairman of the Board ("Chairman") and Chief Executive Officer of Federated Department Stores, Inc. ("Federated") in accordance with the terms of this Agreement. The period (the "Term") of such employment shall begin on May 16, 1997 and shall end on the later of May 16, 2001 or such later date as agreed by the Employer and Employee. The duties of the Employee shall be those commensurate with the office of Chairman of the Board and Chief Executive Officer of Federated. In such capacity he shall have general charge of the business and affairs of Federated, with particular responsibility for the overall merchandising activities of Federated, in addition to his duties of general supervision. Neither the Employee's title nor any of his functions shall be changed without his consent. While it is understood that the right to elect directors and officers of Federated is by law vested in the stock-

holders and directors of Federated, it is nevertheless mutually contemplated, subject to such rights, that the Employee shall, at all times during his employment, be Chairman of the Board and Chief Executive Officer of Federated and shall be a member of the Board of Directors of Federated.

1.2 COMPENSATION. In consideration of Employee's services during the Term, the Employer agrees to (a) pay the Employee an annual salary in the amount of One Million Two Hundred Fifty Thousand Dollars ($1,250,000) ("Base Salary"), (b) permit the Employee to participate in Federated's annual and long-term bonus programs as set forth on Exhibit A and (c) grant the Employee stock options as set forth on Exhibit A. Nothing in this Agreement shall

preclude or in any way affect the grant by the Employer or the receipt by the Employee of increases in such salary or any such bonuses or other forms of additional compensation, including additional equity or equity-based awards, any such salary and/or bonus increases and additional compensation, contingent or otherwise, to be determined solely in the discretion of the Board of Directors of the Employer or persons to whom such authority is delegated by such Board of Directors. The Employee's salary shall never be reduced during the Term without the Employee's consent.

1.3 PAYMENT SCHEDULE. The Base Salary 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 Federated and adequate for the performance of his duties hereunder.

1.5 BENEFITS. The Employee and/or the Employee's family, as the case may be, shall be eligible for participation in and shall receive all benefits under savings and retirement programs, welfare benefit plans, fringe benefit programs and perquisites provided by the Employer and its affiliates (including, for example, without limitation, medical, prescription,

dental, disability, salary continuance, executive life, group life, accidental death and travel accident insurance plans and programs, use of an automobile, financial counseling, and suitable business and country club memberships), at least as favorable as the most favorable of such plans and programs provided to key executives of Federated in effect from time to time.

1.6 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.

1.7 TERMINATION OF SERVICES. If, prior to the end of the Term, (a) the Employer shall terminate the Employee's employment other than for Cause, or (b) the Executive shall terminate his employment for Good Reason, then the Employer shall immediately thereupon pay the Employee in a lump sum in cash (a) the full amount of salary that would be payable to the Employee under Section 1.2 and (b) the aggregate of the target level annual bonus for which the Employee is eligible under the Employer's 1992 Incentive Bonus Plan as set forth in Exhibit A for each year remaining in the Term following such termination. Employee shall be credited with vesting and benefit service through the remainder of the Term.

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) the willful breach of

duty by the Employee in the course of his employment, (b) the Employee's habitual neglect of his duties, (c) a material willful breach by the Employee of his duties under this Agreement which breach is not cured by the Employee within ten (10) days of receipt of written notice thereof from the Employer to the

Employee, or (d) the Employee's final conviction of a felony, which conviction is nonappealable or for which the period of filing an appeal has expired. "Cause" shall not include (a) bad judgment or negligence of the Employee (other than his habitual neglect of duty), or (b) any act or omission believed by the Employee in good faith to have been in or not opposed to the interests of the Employer (without intent of gaining therefrom directly or indirectly a profit to which he was not legally entitled) and reasonably believed by the Employee not to have been improper or unlawful, or (c) any act or omission in respect of which a determination could properly have been made by the Board of Directors of Federated that the Employee met the applicable standard of conduct prescribed for indemnification or reimbursement under the bylaws of Federated or the laws of Delaware, in each case in effect at the time of such act or omission, or (d) an act or omission with respect to which notice of termination is given more than twelve months after the earliest date on which any non-employee director of Federated who was not a party to such act or omission knew or should have known of such act or omission.

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 reme-

died 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 Chairman and Chief Executive Officer of the 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.

1.10 LOCATION OF EMPLOYMENT. Employer shall not require Employee to be based in any office or location other than within the Cincinnati, Ohio Standard Metropolitan Statistical Area without his agreement, except for travel reasonably required in the performance of the Employee's responsibilities.

ARTICLE II

OTHER PROVISIONS

2.1 PERFORMANCE OF DUTIES. The Employee agrees that during the Term (a) he will faithfully and in conformity with the directions of the Board of Directors of Federated, perform the duties of his employment hereunder, and that he will devote to the performance of said duties all such time and attention as they shall reasonably require, taking, however, from time to time (as the Employer agrees that he may) reasonable vacations; and (b) he will not, without the express consent of the Board of Directors of Federated, or persons to whom such authority is delegated by such Board of Directors become actively associated with or engaged in any competing business (as hereinafter defined) while he is employed by Employer or within one (1) year of the first to occur of (i) the expiration of the Term or (ii) the termination of his employment by the Employer for Cause or by the Employee other than for Good Reason prior to or at the end of the Term, and he will do nothing inconsistent with his duties to the

Employer.

Notwithstanding the foregoing, the aforesaid one (1) year period shall be shortened to whatever shorter period, if any, is adopted at any time subsequent to the date hereof by

the Compensation Committee of the Board of Directors of Federated as the standard period during which such non-compete provisions in the Employer's standard employment agreements shall apply.

In the event that (i) the Employee is advised at any time by the Employer in writing that his services will no longer be required during the Term or (ii) the employment of the Employee is terminated by the Employee for Good Reason, Employee shall be free to become actively engaged with another business regardless of whether it is a competing business.

Employee agrees that he will not disclose to anyone outside of the Employer, or use in other than the Employer's business, confidential information relating to the Employer's business, in any way obtained by him while employed by the Employer, unless authorized by the Employer in writing. It is understood that violation of this provision would cause irreparable harm to the Employer and that Employer may seek to enjoin any such violation or to take any other applicable action. The Employee also agrees that he will not engage in any activity which would violate the Conflict of Interest or Business Ethics Statement signed from time to time by the Employee.

As used in this Section 2.1 a "competing business" shall be any business which:

A. at the time of determination, is substantially similar to the whole or a substantial part of the business at the end of the period of active employment, conducted by Employer, or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions, or substantially similar to some substantial part of said business; and

B. at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of $10,000,000, which store or stores is or are located in a city or within a radius of twenty-five (25) miles from the outer limits of a city where Employer, or any of its subsidiaries, or subsidiaries of subsidiaries, or affiliates, or divisions is operating a store or stores which, during its or their fiscal year preceding the determina-

tion, in the aggregate had aggregate nets sales, including sales in leased and licensed departments, in excess of $10,000,000; and

C. had aggregate net sales at all its locations, including sales in leased and licensed departments and sales by its divisions, subsidiaries and affiliates, during its fiscal year preceding that in which the Employee made such an investment therein, or first rendered personal services thereto, following his termination of service, in excess of $25,000,000.

ARTICLE III

MISCELLANEOUS

3.1 ASSIGNMENT. This Agreement shall not be assignable by the Employer without the written consent of the Employee. The Employee may not assign, pledge, or encumber his interest in this Agreement, or any part thereof, without the written consent of the Employer.

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 US 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 or 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

3.10 MISCELLANEOUS. Except as specifically provided herein,

all accounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts which may be paid or payable to Employee from any source or which Employee could have obtained upon seeking other employment; provided that the Company shall be permitted to make all payments pursuant to this Agreement net of any legally required tax withholdings. Employee shall not be required to seek other employment, and there shall be no offset to amounts due hereunder as a result of any salary, compensation or other amounts Employee may be paid from other sources.

IN WITNESS WHEREOF, the parties hereto have hereunto and to a duplicate hereof set their signatures on March 10, 1997.

FEDERATED CORPORATE SERVICES, INC.

By: /s/ Dennis J. Broderick

Dennis J. Broderick
Title: President

JAMES M. ZIMMERMAN

/s/ James M. Zimmerman

EXHIBIT A
---

to
EMPLOYMENT AGREEMENT

Entered into on March 10th, 1997 between

FEDERATED CORPORATE SERVICES, INC.

and

JAMES M. ZIMMERMAN

(All capitalized terms used in this Exhibit are defined as set forth in the Agreement)

ANNUAL BONUS: For each year during the Term (including fiscal 1997), 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 goal, as follows:

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PERFORMANCE AGAINST TARGET	PAYOUT AS PERCENT OF ANNUAL SALARY

Below 95% of Target	0.0%
95% of Target	24.0%
Target	50.0%
110% of Target	70.0%
120% of Target	90.0%

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.

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.

LONG TERM PLAN:

For each three-year performance period commencing with the 1995-1997 performance period, the bonus payable (if any) under the terms of Federated's 1992 Incentive Bonus Plan (as such may be amended from time to time) will be based on performance goals established for the senior executives of Federated in respect of each such three-year performance period 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 (prorated on an annual basis for any change in Employee's base salary occurring at any time during any such three-year period and determined for any such year in the three-year period based on the annual base salary in effect as of the last day of the fiscal year) based on performance against the targeted three-year goal, as follows:

PERFORMANCE AGAINST TARGET	PAYMENT AS PERCENT OF ANNUAL SALARY
Below 95% of Target	0.0%
95% of Target	24.0%
Target	50.0%
110% of Target	70.0%
120% of Target	90.0%

Illustratively, in respect of the fiscal 1995-1997 performance period, assuming achievement of the 1995-1997 goal at the 50% target level, the long-term incentive payout in 1998 in respect of such three-year period would be $541,250 (the sum of (i) 50% (target level) x $1,000,000 (the base salary in effect at the end of each of the 1995 and 1996 fiscal years) x 67% (the percent of time during the three-year period that the $1,000,000 is deemed applicable for purposes of calculating the long-term payout, i.e., two years out of the three-year period because the Employee's base salary at the end of each of the 1995 and 1996 fiscal years was $1,000,000) + (ii) 50% (target level) x $1.25 million (the base salary in effect at the end of the 1997 fiscal year) x 33% (the percent of time during the three-year period that the

$1.25 million base salary is deemed applicable for purposes of calculating the long-term payout, i.e., one year out of the three-year period because Employee's base salary at the end of the 1997 fiscal year will be $1.25 million).

Employee shall be entitled to a pro rata portion of a long-term bonus, if any is payable under the terms of Federated's 1992 Incentive Bonus Plan (as such may be amended from time to time), for any three-year performance period commencing on or after fiscal 1995 but which performance period has not ended as of the end of the Term. The pro rata payment is based on the length of Employee's service of employment within such three-year performance period. Illustratively, if the performance period covers the 1996-1998 fiscal years and the employment terminates on the last day of the 1997 fiscal year, Employee would have been employed for sixty-seven percent (67%) of the performance period and would be eligible for sixty-seven percent (67%) of any long-term bonus payable as provided above if and when any bonus is paid in respect of that period under the terms of Federated's 1992 Incentive Plan (as may be amended) based upon the performance goals established for the senior executives of the Employer for that period by the Board of Directors of Federated or a Committee thereof.

Any long-term bonus payable hereunder shall be paid in the fiscal year following the three-year performance period in respect of which the bonus is payable in accordance with Federated's 1992 Incentive Bonus Plan.

STOCK OPTIONS: Federated shall grant, to Employee, effective March 28, 1997 (the "Grant Date"), options for 450,000 shares, with vesting of 100,000 shares on the first anniversary of the Grant Date, 100,000 shares on the second anniversary of the Grant Date and 250,000 shares on the third anniversary of the Grant Date, except that 100% vesting shall occur immediately upon the effective date of the termination of the employment of Employee (a) by Employer other than for Cause, (b) by Employee for Good Reason or (c) by Employer and Employee by mutual consent; 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 grant is subject to the terms of the attached form of Nonqualified Stock Option Agreement with Federated.

Exhibit 10.46

SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN

OF

FEDERATED DEPARTMENT STORES, INC.

(As amended and restated effective as of January 1, 1997)

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SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN
OF
FEDERATED DEPARTMENT STORES, INC.
(As amended and restated effective as of January 1, 1997)

ARTICLE I

NAME AND PURPOSE OF PLAN

1.1 NAME OF PLAN. The name of this Plan shall be the Supplementary Executive Retirement Plan of Federated Department Stores, Inc.

1.2 PURPOSE OF PLAN. The purpose of the Plan is to provide certain executives of the Employer with additional amounts of retirement pay.

1.3 EFFECTIVE DATE OF PLAN DOCUMENT. The Plan was originally adopted as of January 1, 1984. This Plan document amends and restates the Plan effective as of the Effective Amendment Date.

ARTICLE II

DEFINITIONS

As used in the Plan, the following terms shall have the meanings indicated below unless it is clear from the context that another meaning is intended:

2.1 ANNUITY - means a form of benefit, without any life insurance, which provides for equal payments in monthly installments (or, to the extent provided under Section 6.3 below, quarterly installments) over more than a one-year period.

2.2 BASIC PENSION PLAN - means the plan which is known as the Federated Department Stores, Inc. Cash Account Pension Plan, as such plan exists as of the Effective Amendment Date or as it may thereafter be amended. The Basic Pension Plan, as herein defined, is a defined benefit plan (as such term is defined in Section 414(j) of the Code and Section 3(35) of ERISA), is intended to be qualified as a tax-favored plan under Section 401(a) of the Code, and is sponsored by Federated.

2.3 BOARD OF DIRECTORS - means the Board of Directors of Federated.

2.4 CODE - means the Internal Revenue Code of 1986, as such code exists as of the Effective Amendment Date or as it may thereafter be amended.

2.5 COMMITTEE - means all of the committees appointed under Section 8.1 below to administer the Plan.

2.6 EFFECTIVE AMENDMENT DATE - refers to the effective date of this amendment and restatement of the Plan and means January 1, 1997.

2.7 EMPLOYEE - means, at any point in time, any individual who is a common law employee of the Employer and who is classified as an employee by the Employer for payroll payment and withholding purposes at such time.

2.8 EMPLOYER - means Federated and each other corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated.

2.9 ERISA - means the Employee Retirement Income Security Act of 1974, as such act exists as of the Effective Amendment Date or as it may thereafter be amended.

2.10 EXECUTIVE - means, at any point in time, any Employee who at such time, pursuant to the provisions of Section 3.1 below, meets the criteria necessary to become a Participant in the Plan and to accrue benefits under the Plan.

2.11 EXECUTIVE DEFERRED COMPENSATION PLAN - means the plan which is known as the Executive Deferred Compensation Plan of Federated Department Stores, Inc., as such plan exists as of the Effective Amendment Date or as it may thereafter be amended. The Executive Deferred Compensation Plan, as herein defined, allows certain executives of the Employer to defer a portion of their compensation and is sponsored by Federated.

2.12 FEDERATED - means Federated Department Stores, Inc., or any corporate successor thereto. Federated, as herein defined, is the sponsor of the Plan.

2.13 PARTICIPANT - means, at any point in time, any person who at such time either is accruing benefits under the Plan or still has accrued benefits under the Plan. The provisions of Article III below determine when a person is a Participant on or after the Effective Amendment Date.

2.14 PLAN - means the plan contained in this document, which is named the Supplementary Executive Retirement Plan of Federated Department Stores, Inc.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 ELIGIBILITY.

3.1.1 Only Executives are eligible to become Participants in the Plan and thereby accrue benefits under the Plan. A person is considered to be an Executive at any point in time if, and only if, he or she is an Employee, and meets the criteria established and in effect under Section 3.1.2 below, at such time.

3.1.2 In order for an Employee to be considered an Executive under the Plan, he or she must meet the criteria established in accordance with the following provisions of this Section 3.1.2 (such criteria being called in the following provisions of this Section 3.1.2 as the "eligibility criteria"):

(a) As of the Effective Amendment Date and at any later point in time until changed under paragraph (b) below, the eligibility criteria which must be met by an Employee in order for him or her to be considered an Executive shall be an annualized rate of base compensation (not including, among other things, bonuses, commissions, overtime pay, stock options, severance pay, retention bonuses, fringe benefits, or welfare benefits) of $100,000 or more.

(b) Subject to the provisions of paragraph (c) below but notwithstanding the provisions of paragraph (a) above, the Committee may, at any time and from time to time, increase the dollar amount set forth in paragraph (a) above, or otherwise change the eligibility criteria, pursuant to a written resolution adopted either at any meeting of the Committee or in a writing signed by all members of the Committee.

(c) Notwithstanding any other provision of the Plan, all Employees who meet the eligibility criteria must be part of a select group of management or other highly compensated employees (within the meaning of Sections 201, 301, and 401 of ERISA) of the Employer. As a result, the Committee shall, pursuant to its power to amend the eligibility criteria under the provisions of paragraph (b) above, amend the eligibility criteria at any time if necessary to ensure that all of the Employees who meet the eligibility criteria in effect at such time are part of such a select group of management or other highly compensated employees of the Employer.

(d) Any eligibility criteria which is established under the foregoing provisions of this Section 3.1.2 shall remain in effect until changed by the Committee pursuant to the foregoing provisions of this Section 3.1.2. In addition, any written resolution of the Committee which amends the eligibility criteria shall hereby be incorporated by reference into, and hereby made a part of, the Plan.

3.2 ENTRY AS PARTICIPANTS. Executives shall become Participants in the Plan on or after the Effective Amendment Date only in accordance with the following provisions:

3.2.1 Each person who, as of any Entry Date which occurs on or after the Effective Amendment Date, is an Executive on such date shall become a Participant on such Entry Date.

3.2.2 For purposes of Section 3.2.1 above, an "Entry Date" means the first day of any calendar year.

3.3 DURATION OF PARTICIPATION. Each Participant in the Plan shall continue to be a Participant until he or she ceases to be an Executive and the entire amount of his or her benefit, if any, under the Plan has been paid by the Employer.

3.4 REINSTATEMENT OF PARTICIPATION. Any person who ceases to be a

Participant, but who is thereafter reemployed as an Executive by the Employer, shall be reinstated as a Participant only when, and if, he or she becomes a Participant under the provisions of Section 3.2 above (determined as if he or she had not previously been a Participant in the Plan).

ARTICLE IV

SUPPLEMENTAL RETIREMENT BENEFITS

4.1 SUPPLEMENTAL RETIREMENT BENEFIT. Subject to the other provisions of the Plan, a Participant in the Plan shall be entitled to a retirement benefit under the Plan, called in the other provisions of the Plan as the "supplemental retirement benefit," if, and only if, he or she ceases to be an Employee and is eligible to receive a retirement benefit under the Basic Pension Plan.

4.2 BENEFIT FORMULA FOR SUPPLEMENTAL RETIREMENT BENEFIT. Subject to the other provisions of the Plan, if a Participant is entitled to a supplemental retirement benefit under the Plan, the monthly amount of such benefit, if it is payable in the form of a single life annuity which commences as of the later of the Participant's normal retirement date or the first day of the first month which begins on or after he or she ceases to be an Employee, shall be equal to the result produced by first multiplying the amount determined under Section 4.2.1 below by Section 4.2.2 below and second subtracting from such product the amount determined under Section 4.2.3 below ((4.2.1 x 4.2.2) - 4.2.3), where Sections 4.2.1, 4.2.2, and 4.2.3 are as follows:

4.2.1 The amount determined under this Section 4.2.1 is equal to the difference between (1) 1.5% of the Participant's highest average monthly compensation for any five calendar years (regardless of whether they are consecutive) falling within the latest ten calendar years which end prior to the date the Participant ceases to be an Executive and (2) 2.5% of the Participant's estimated monthly social security benefit.

4.2.2 The amount determined under this Section 4.2.2 is equal to the number, up to but not in excess of 30, of the Participant's years of vesting service as of the date he or she ceases to be an Executive (disregarding any fractional part of a year of vesting service).

4.2.3 The amount determined under this Section 4.2.3 is equal to the monthly amount of a benefit which, if paid to the Participant in the form of a single life annuity which commences as of the later of the Participant's normal retirement date or the first day of the first month which begins on or after he or she ceases to be an Employee, would be actuarially equivalent to the aggregate of: (1) the benefits which the Participant accrues under the Basic Pension Plan; and, if and to the extent applicable, (2) the sum of (x) the account balance of the Participant under the Retirement Income (the "RI") portion of the prior Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan determined as of December 31, 1995, (y) the account balance of the Participant under the Profit Sharing Retirement Plan (the "PSRP") portion of Part B of the prior Allied Stores Corporation Retirement Benefit and Profit Sharing Investment Program determined as of December 31, 1979, and (z) the account balance of the Participant under the R.H. Macy & Co., Inc. Profit Sharing Plan determined as of December 31, 1996.

4.3 FORM AND AMOUNT OF SUPPLEMENTAL RETIREMENT BENEFIT. If a Participant becomes entitled to a supplemental retirement benefit under this Article IV, then the form and amount of such supplemental retirement benefit shall be determined in accordance with the following provisions:

4.3.1 Subject to the provisions of Sections 4.3.2 and 4.3.3 below, the supplemental retirement benefit which is payable to the Participant under the Plan shall be paid in the form of a single life annuity which commences as of the later of the Participant's normal retirement date or the first day of the first month which begins on or after the date he or she ceases

to be an Employee. The monthly amount of such benefit shall be equal to the amount determined under the provisions of Section 4.2 above.

4.3.2 (a) Subject to the provisions of Section 4.3.3 below but notwithstanding the provisions of Section 4.3.1 above, the Participant may, at any time prior to the commencement of his or her supplemental retirement benefit under the Plan and in lieu of any other possible form of payment for such benefit, elect that payment of his or her supplemental retirement benefit under the Plan be made in any Annuity form different from the benefit form described in Section 4.3.1 above, provided that the Annuity form being requested is permitted as a form of payment for the Participant's benefit under the Basic Pension Plan.

(b) Further, and also subject to the provisions of Section 4.3.3 below but notwithstanding the provisions of Section 4.3.1 above, if the Participant requests, prior to the date he or she ceases to be an Employee, that the payment of his or her supplemental retirement benefit under the Plan be made in the form of a lump sum cash payment which is paid as of the first day of the first month both which begins after the date he or she ceases to be an Employee and during which the Committee can administratively determine and process the payment of such benefit, the Committee may, in its sole discretion and after taking into account the interests of the Employer, agree to such request and cause such benefit to be paid in accordance with the lump sum form of payment so requested and in lieu of any other possible form of payment for such benefit. The Committee is not in any manner obligated to agree to such request, however.

(c) If, under the provisions of paragraph (a) or (b) above, the Participant's supplemental retirement benefit under the Plan is paid in a form different from the benefit form described in Section 4.3.1 above, then the monthly amount or lump sum amount, as the case may be, of the Participant's supplemental retirement benefit when it is to be paid in accordance with the different form shall be that amount which makes such supplemental retirement benefit actuarially equivalent to the Participant's supplemental retirement benefit if it were to be paid in the form of payment described in Section 4.3.1 above.

4.3.3 Further, notwithstanding the provisions of Sections 4.3.1 and 4.3.2 above, if the supplemental retirement benefit payable under the Plan to the Participant has a present value of $15,000 or less as of the first day of the first month both which begins on or after the date that the Participant ceases to be an Employee and during which the Committee can

administratively determine and process the payment of the benefit, then such supplemental retirement benefit shall be converted to and paid as a lump sum cash payment as of such date (with the amount of such payment equal to such present value amount). For purposes hereof, the present value of the Participant's supplemental retirement benefit as of any date shall be equal to the amount that a lump sum cash payment made as of such date would be if such lump sum payment were to be actuarially equivalent to the Participant's supplemental retirement benefit if it were to be paid in the form of payment described in Section 4.3.1 above.

4.4 EFFECT ON SUPPLEMENTAL RETIREMENT BENEFIT OF REEMPLOYMENT OR CONTINUED EMPLOYMENT AFTER COMMENCEMENT OF SUCH BENEFIT. If a Participant who becomes entitled to the distribution of a supplemental retirement benefit under the Plan is reemployed by or continues in employment with the Employer as an Executive, then the provisions of the Basic Pension Plan which apply to the effect on a participant's retirement benefit of the reemployment or continued employment of the participant by or with the Employer shall apply in similar fashion to the Participant's supplemental retirement benefit under the Plan as if such supplemental retirement benefit were payable under the Basic Pension Plan.

4.5 DEFINITIONS FOR DETERMINATION OF SUPPLEMENTAL RETIREMENT BENEFIT. For purposes of the other provisions of the Plan, the following terms, all of which relate to the determination of any Participant's supplemental retirement benefit under the Plan, shall have the meanings hereinafter set forth unless the context otherwise requires:

4.5.1 A Participant's "compensation" for any period (for

purposes of this Section 4.5.1, the "subject period") means, except as is otherwise noted below, his or her Compensation for the subject period under, and as such term is defined in, the Basic Pension Plan. However, notwithstanding the foregoing, any amounts which would be part of the Participant's Compensation for the subject period under the Basic Pension Plan but for the fact such amount is deferred (for purposes of receipt by the Participant) to a later period by reason of an election of the Participant under the Executive Deferred Compensation Plan shall still be considered as part of the Participant's compensation for the subject period under the Plan. Also, notwithstanding the foregoing, the limitations of Section 401(a)(17) of the Code shall not apply to the determination of the Participant's compensation for purposes of the Plan. In addition, and also notwithstanding the foregoing, any remuneration that the Participant receives for services performed after the latest date on which he or she qualifies as an Executive, regardless of the form in which it is paid, shall not be considered as part of the Participant's compensation for purposes of the Plan.

4.5.2 A Participant's "estimated monthly social security benefit" means the monthly primary insurance benefit which would be payable to the Participant under Title II of the Federal Social Security Act, as amended, as of the later of the date the Participant first attains his or her normal retirement date or the date on which the Participant ceases to be an Employee, if such benefit was computed on the basis of the benefit and wage base levels in effect under the Federal Social Security Act, as amended, as of the date on which the Participant

ceases to be an Employee and on the basis of a compensation record determined in accordance with the following rules:

(a) For each of the first calendar year in which the Participant performs services as an Employee and all prior calendar years, the Participant shall be deemed to have wages for Federal Social Security Act purposes equal to the result produced by discounting his or her compensation for the calendar year immediately following the first calendar year in which the Participant performs services as an Employee backwards to the applicable calendar year, using for this purpose the actual change in the average wages as determined by the Federal Social Security Administration;

(b) For each of the calendar years beginning with the calendar year immediately following the first calendar year in which the Participant first performs services as an Employee and ending with the last full calendar year ending on or before the date on which the Participant ceases to be an Employee, the Participant shall be deemed to have wages for Federal Social Security Act purposes equal to his or her compensation for the applicable calendar year; and

(c) For the period which begins on the first day of the first calendar year ending after the date on which the Participant ceases to be an Employee and ends on the date the Participant first attains his or her normal retirement date, the Participant shall be deemed to have an annual rate of wages for Federal Social Security Act purposes equal to the Participant's compensation for the latest calendar year which ends prior to the date the Participant ceases to be an Employee.

4.5.3 A Participant's "normal retirement date" means his or her Normal Retirement Date as such term is defined in the Basic Pension Plan.

4.5.4 A "single life annuity" means an Annuity which is payable monthly for the life of the applicable Participant, ending with the last monthly payment due for the month in which the Participant dies.

4.5.5 A Participant's "years of vesting service" means, except as noted below, the number of years of Vesting Service with which he or she is credited with under, and in accordance with, the provisions of the Basic Pension Plan; except that any such years of Vesting Service which are disregarded under the Basic Pension Plan solely by reason of a break-in-service of the Participant shall still be included as years of vesting service for purposes of the Plan if the Participant is reemployed by the Employer for at least five years after such break-in-service. In addition, and notwithstanding

the foregoing, any services completed by the Participant after the latest date on which he or she qualifies as an Executive shall be disregarded in determining the Participant's years of vesting service for purposes of the Plan.

4.6 OTHER CESSATION OF EMPLOYMENT. Except as may otherwise be provided in Article V below, if a Participant dies prior to the date as of which any supplemental retirement

benefit to which he or she is entitled under the Plan begins to be paid, or if the Participant ceases to be an Employee for any reason at a time when he or she is not entitled to a retirement benefit under the Basic Pension Plan (and hence is not entitled to a supplemental retirement benefit under the Plan), neither he or she nor any person claiming by or through him or her shall be entitled to receive any benefit under the Plan. In such case, his or her interest under the Plan shall be forfeited.

ARTICLE V

PRE-PENSION DEATH BENEFITS

5.1 ELIGIBILITY FOR PRE-PENSION DEATH BENEFIT.

5.1.1 A death benefit, called in the other provisions of the Plan as a "pre-pension death benefit," shall be paid to the beneficiary of a Participant who both (1) dies while still an Employee (and prior to any supplemental retirement benefit beginning to be paid to him or her under the Plan) and (2) would have been entitled to a supplemental retirement benefit under Article IV above if he or she had not died but had ceased to be an Employee on the date of his or her death.

5.1.2 In addition, a pre-pension death benefit shall also be paid to the beneficiary of a Participant who dies after terminating employment as an Employee at a time when he or she was entitled to a supplemental retirement benefit under Article IV above but prior to the date as of which such supplemental retirement benefit begins to be paid to him or her.

5.1.3 Except as may be provided in Sections 5.1.1 and 5.1.2 above, no pre-pension death benefit (or any other death benefit) is payable under the Plan with respect to a Participant who dies prior to the date he or she is eligible for or begins to receive a supplemental retirement benefit under Article IV above.

5.2 BENEFICIARY. For purposes of this Article V, the "beneficiary" of any Participant shall mean the person who is the Participant's lawful spouse at the time of the Participant's death; except that, if it is established to the satisfaction of the Committee that the Participant is not survived by a lawful spouse or such spouse cannot reasonably be located, the Participant's "beneficiary" shall be the person or trust named by the Participant as his or her beneficiary for purposes of the Plan's pre-pension death benefit in a writing or form which is filed with the Committee prior to the Participant's death; and except that, if the Committee determines that the Participant is not survived by a lawful spouse or other properly designated beneficiary who can reasonably be located, the Participant's "beneficiary" shall be deemed to be the Participant's estate.

5.3 FORM AND AMOUNT OF PRE-PENSION DEATH BENEFIT IF BENEFICIARY IS PARTICIPANT'S SPOUSE. If a Participant's beneficiary becomes entitled to a pre-pension death benefit under this Article V and such beneficiary is the Participant's surviving spouse, then the form and amount of such death benefit shall be determined in accordance with the following provisions:

5.3.1 Subject to the provisions of Sections 5.3.2 below, the pre-pension death benefit which is payable to the Participant's surviving spouse

under the Plan shall be paid in the form of a lump sum cash payment which is paid as of the first day of the first month both which begins on or after the date of the Participant's death and during which the Committee can

administratively determine and process the payment of the death benefit to the surviving spouse. The amount of such lump sum payment shall be the amount which makes such lump sum payment actuarially equivalent to the supplemental retirement benefit that would have been payable to the Participant under the Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date which would have been the Participant's normal retirement date had he or she survived (or, if such Participant dies after his or her normal retirement date, the first day of the first calendar month which begins on or after the date of the Participant's death) and began receiving as of such date his or her supplemental retirement benefit in the form of a single life annuity.

5.3.2 Notwithstanding the provisions of Section 5.3.1 above, the Participant may, in a writing or form which is filed with the Committee at any time prior to his or her death and in lieu of any other possible form of payment for such pre-pension death benefit, elect that payment of such pre-pension death benefit be made in any Annuity form which is permitted as a benefit form for a surviving spouse's pre-pension death benefit under the Basic Pension Plan, provided that such election shall not be effective if the lump sum payment of such pre-pension death benefit which would otherwise be made under Section 5.3.1 above would be $15,000 or less. If such pre-pension death benefit is paid in an Annuity form pursuant to the Participant's election under this Section 5.3.2, then the periodic amount of such pre-pension death benefit shall be that amount which makes such pre-pension death benefit actuarially equivalent to the supplemental retirement benefit that would have been payable to the Participant under the Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date which would have been the Participant's normal retirement date had he or she survived (or, if such Participant dies after his or her normal retirement date, the first day of the first calendar month which begins on or after the date of the Participant's death) and began receiving as of such date his or her supplemental retirement benefit in a single life annuity.

5.4 FORM AND AMOUNT OF PRE-PENSION DEATH BENEFIT IF BENEFICIARY IS NOT PARTICIPANT'S SPOUSE. If a Participant's beneficiary becomes entitled to a pre-pension death benefit under this Article V and such beneficiary is not the Participant's surviving spouse, then such death benefit shall be paid in the form of a lump sum cash payment which is paid as of the first day of the first month both which begins on or after the date of the Participant's death and during which the Committee can administratively determine and process the payment of the death benefit to the beneficiary. The amount of such lump sum payment shall be the amount which makes such lump sum payment actuarially equivalent to the supplemental retirement benefit that would have been payable to the Participant under the Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date which would have been the Participant's normal retirement date had he or she survived (or, if such Participant dies after his or her normal retirement date, the first day of the

first calendar month which begins on or after the date of the Participant's death) and began receiving as of such date his or her supplemental retirement benefit in a single life annuity.

ARTICLE VI

ADDITIONAL BENEFIT PROVISIONS

6.1 BENEFITS NOT ASSIGNABLE. Except to the extent required by applicable law, benefits provided under the Plan may not in any manner be anticipated, assigned (either at law or in equity), or alienated or be subject to attachment, garnishment, levy, execution, or any other legal or equitable process.

6.2 BENEFITS PAYABLE TO MINORS, INCOMPETENTS, AND OTHERS. In the event any benefit is payable under the Plan to a person who, in the sole discretion of the Committee, is a minor, an incompetent, or otherwise under a legal disability, is, by reason of advanced age, illness, or other physical or mental incapacity, incapable of handling and disposing of his or her property, or otherwise is in such position or condition that the Committee believes that such person could not utilize the benefit for his or her support or welfare, the Committee shall have discretion to apply the whole or any part of such benefit directly to the care, comfort, maintenance, support, education, or use of such person or pay the whole or any part of such benefit to the parent of such person, the guardian, committee, conservator, or other legal representative, wherever appointed, of such person, the person with whom such person is residing, or any other person having the care and control of such person. The receipt of any such person to whom any such payment on behalf of any Participant (or his or her beneficiary) is made shall be a sufficient discharge therefor.

6.3 ADMINISTRATIVE ADJUSTMENT FOR SMALL BENEFITS. Notwithstanding any other provision of the Plan to the contrary, as an administrative convenience, if the monthly amount of any supplemental retirement benefit or pre-pension death benefit which is payable under the Plan in the form of an Annuity would otherwise be less than $50, the Committee may direct that such benefit begin to be paid in quarterly installments instead of monthly installments at any time.

6.4 TIMING OF BENEFIT DISTRIBUTIONS. For purposes of the Plan, each benefit payment under the Plan shall always be made "as of" a certain date specified in an appropriate section of the Plan, which means that the amount of the payment shall be determined as of such date and the actual payment shall be made on or as soon as practical after such date (to allow the Committee time to ascertain the applicable person's entitlement to a benefit and the amount of such benefit and to process and payout such benefit). If a person entitled to a benefit hereunder dies subsequent to the date as of which such payment was to have been made but, because of administrative reasons, prior to the actual payment thereof, such benefit shall be paid to his or her estate. If, notwithstanding the foregoing, a Participant (or a beneficiary of the Participant) who is entitled to a benefit hereunder cannot reasonably be located, then such benefit shall thereupon be deemed forfeited. If, however, the lost Participant (or the beneficiary) thereafter makes a claim for the amount previously forfeited hereunder, such benefit shall be paid or commence, with any unpaid installments thereof which otherwise would have previously been

paid also being paid (but without any interest credited on such unpaid installments), as soon as administratively possible.

6.5 REFERENCES TO FORM OF PAYMENT. Any references to the "form" of payment of any benefit under the Plan shall be deemed to be referring to the combination of the method by which such benefit shall be paid (E.G., an Annuity form or a lump sum cash payment) and the date as of which such benefit is to commence (if the method of payment is an Annuity) or the date as of which such benefit is to be paid (if the method of payment is a lump sum cash payment).

6.6 ACTUARIAL ASSUMPTIONS. Under the Plan, any reference to actuarial equivalent, actuarially equivalent, or actuarial equivalence means or refers to equality in value of the aggregate amounts of a benefit when compared to the aggregate amounts of such benefit if paid or determined in a different form. If the Plan requires a determination that a benefit when paid in accordance with any certain form of benefit (for purposes of this Section 6.6, the "actual form") would be actuarially equivalent to such benefit if it were payable in a different form (for purposes of this Section 6.6, the "other form"), then, except as noted below, the following steps shall be taken: (1) the present value of the other form as of the date as of which the actual form is to commence

shall first be determined; (2) if the actual form involves a single life annuity, the monthly amount of such single life annuity shall then be determined so as to be actuarially equivalent to the present value amount determined under clause (1); (3) if the actual form involves an Annuity other than a single life annuity, the monthly amount of such Annuity shall then be determined so as to be actuarially equivalent to the single life annuity determined under clause (2) above; and (4) if the actual form involves a lump sum cash payment, the lump sum amount of such payment shall be equal to the present value amount determined under clause (1) above. The actuarial assumptions to be used in making any such determinations shall be the same assumptions as would be used pursuant to the provisions of Sections 9.5.3 and 9.5.4 of the Basic Pension Plan (as in effect on the Effective Amendment Date) to make such determinations if such determinations were being made under the Basic Pension Plan. Notwithstanding the foregoing, when any Annuity form of benefit under the Plan commences prior to the applicable Participant's normal retirement date and within the ten year period ending on the date which immediately precedes such normal retirement date, the monthly amount of such Annuity shall not be less than the periodic amount that would apply to such Annuity if it commenced as of the Participant's normal retirement date, reduced by 0.4% for each full month by which the date as of which the Annuity benefit actually commences.

6.7 APPLICABLE BENEFIT PROVISIONS. Subject to Section 4.4 above, any supplemental retirement benefit to which a Participant becomes entitled (or any pre-pension death benefit to which the Participant's beneficiary becomes entitled) shall be determined on the basis of the provisions of the Plan in effect as of the date the Participant last ceases to be an Employee notwithstanding any amendment to the Plan adopted subsequent to such date, except for subsequent amendments which are by their specific terms or by applicable law made applicable to such Participant (or his or her beneficiary).

6.8 MERGER OF PRIOR PLANS AND COVERAGE OF PRE-EFFECTIVE AMENDMENT DATE PARTICIPANTS.

6.8.1 (a) The Plan amends and restates, effective as of the Effective Amendment Date, the Supplementary Executive Retirement Plan of Federated Department Stores, Inc. as it was in effect on December 31, 1996 (the "Prior Federated Supplemental Plan"). In addition, two other supplemental executive retirement plans, the R.H. Macy & Co., Inc. Benefit Equalization Plan (the "Prior Macy's Supplemental Plan") and the Supplemental Executive Retirement Plan of Broadway Stores Inc. (the "Broadway Supplemental Plan"), were merged into the Prior Federated Supplemental Plan effective as of December 31, 1996. As a result, the Plan also amends and restates, effective as of the Effective Amendment Date, the Prior Macy's Supplemental Plan and the Prior Broadway Supplemental Plan.

(b) However, notwithstanding any other provision of the Plan to the contrary, the amendment and restatement of the Prior Federated Supplemental Plan, the Prior Macy's Supplemental Plan, and the Prior Broadway Supplemental Plan by the Plan shall not reduce the benefits accrued under such prior plans by any Participant as of December 31, 1996. In determining the benefits accrued under such prior plans as of December 31, 1996 by any Participant, however, any amounts by which such prior plans offset their otherwise determined benefits for the Participant by reason of any amounts described in Section 4.2.3 above, by reason of the benefits of any defined benefit pension plans which were amended and restated as of the Effective Amendment Date by the Basic Pension Plan, and/or by reason of the benefits of any defined benefit pension plans which were merged immediately prior to the Effective Amendment Date into the predecessor plan which was continued by the Basic Pension Plan shall still be determined as of the date as of which the benefit applicable to the Participant under this Plan commences to be paid.

6.8.2 In addition, except as is otherwise provided in this Section 6.8.2, the provisions of the Plan only apply to persons who become Participants in the Plan under Article III above. However, any person who never becomes a Participant in the Plan under Article III above but both was a participant in one or more of the Prior Federated Supplemental Plan, the Prior Macy's Supplemental Plan, and the Prior Broadway Supplemental Plan and still is entitled to a benefit under one or more of such prior plans as of December 31, 1996 (determined as if such person had not been employed by the Employer after such date) shall be considered a participant in the Plan to the extent of his or her right to such benefit. The amount of such benefit, the form in which such

benefit is to be paid, and the conditions (if any) which may cause such benefit not to be paid shall be determined under the versions of such prior plans in effect at the time he or she ceased to be an Employee.

ARTICLE VII

SOURCE OF BENEFITS

All benefits payable under this Plan shall be paid exclusively from the Employer's general assets, with the costs of such benefits to be appropriately charged to each corporation included in the Employer being determined by the Committee. No Participant (or any beneficiary of or other person claiming through the Participant) shall have any right or claim to the payment of any benefit under this Plan which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of the corporation or corporations included in the Employer to which the costs of such benefit are charged.

ARTICLE VIII

ADMINISTRATION

8.1 COMMITTEE. The Plan shall be administered by one or more committees which are appointed from time to time by, and which shall serve at the pleasure of, the Board of Directors. If the Board of Directors appoints more than one committee to administer the Plan, it shall assign to each such committee different aspects of the administrative duties applicable to the Plan. Except where the context otherwise requires, each such committee may be referred to in this Article VIII as "a Committee," "any Committee," or "such Committee," but all such committees shall be collectively referred to in the other Articles of the Plan as "the Committee." Thus, any reference in any other Article of the Plan to "the Committee" shall be deemed to refer to the committee appointed under this Section 8.1 which has responsibility for the aspect of the Plan with respect to which such provision applies.

8.2 POWERS OF COMMITTEE. Any Committee, in connection with administering the Plan, is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan and, subject to the scope of its powers as assigned by the Board of Directors, is given complete discretionary authority to determine any person's eligibility for benefits under the Plan, to construe the terms of the Plan, and to decide any other matters pertaining to the Plan's administration. Any Committee shall, subject to the scope of its powers as assigned by the Board of Directors, determine any question arising in the administration, interpretation, and application of the Plan, which determination shall be binding and conclusive on all persons. In the administration of the Plan, any Committee may employ or permit any agents to carry out any of its responsibilities hereunder.

8.3 ACTIONS OF COMMITTEE. Any Committee shall act by a majority of its members at the time in office, and any such action may be taken either by a vote at a meeting or in writing without a meeting. Any Committee may by such majority action appoint subcommittees and may authorize any one or more of its members or any agent of it to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of such Committee. Any Committee may provide for the allocation of responsibilities for the operation of the Plan.

8.4 COMPENSATION OF COMMITTEE AND PAYMENT OF ADMINISTRATIVE EXPENSES. The members of any Committee shall serve without compensation for services as such. All expenses of the administration of the Plan shall be paid by the Employer, with the portion of such expenses to be appropriately charged to each corporation included in the Employer being determined by the Committee which is assigned this duty by the Board of Directors.

8.5 LIMITS ON LIABILITY. Federated and each other corporation included in the Employer shall hold each member of a Committee harmless from any and all claims, losses, damages, expenses, and liabilities arising from any act or omission of the member.

8.6 CLAIMS PROCEDURE.

8.6.1 If a Participant, a Participant's beneficiary, or any other person claiming through a Participant has a dispute as to the failure of the Plan to pay or provide a benefit, as to the amount of Plan benefit paid, or as to any other matter involving the Plan, the person may file a claim for the benefit or relief believed by the person to be due. Such claim must be provided by written notice to the Committee which is assigned by the Board of Directors the duty to review initial claims or disputes (or its agent designated by it for this purpose). Such Committee (or its agent) will decide any claims made pursuant to this Section 8.6.

8.6.2 If a claim made pursuant to Section 8.6.1 above is denied, in whole or in part, notice of the denial in writing will be furnished by the Committee which is assigned by the Board of Directors the duty to review initial claims or disputes (or its agent designated by it for this purpose) to the claimant within 90 days after receipt of the claim by such Committee (or such agent); except that if special circumstances require an extension of time for processing the claim, the period in which such Committee (or such agent) is to furnish the claimant written notice of the denial will be extended for up to an additional 90 days (and such Committee or its agent will provide the claimant within the initial 90-day period a written notice indicating the reasons for the extension and the date by which such Committee or its agent expects to render the final decision). The final notice of denial will be written in a manner designed to be understood by the claimant and set forth: (1) the specific reasons for the denial, (2) specific reference to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (4) information as to the steps to be taken if the claimant wishes to appeal such denial of his or her claim. If no written notice is provided the claimant within the applicable 90-day period or 180-day period, as the case may be, the claimant may assume his or her claim has been denied and go immediately to the appeal process set forth in Section 8.6.3 below.

8.6.3 Any claimant who has a claim denied under Sections 8.6.1 and 8.6.2 above may appeal the denied claim to the Committee which is assigned by the Board of Directors the duty to review appeals of denied claims (or its agent designated by it for this purpose). Such an appeal must, in order to be considered, be filed by written notice to such Committee (or such agent) within 60 days of the receipt by the claimant of a written notice of the denial of his or her initial claim (unless it was not reasonably possible for the claimant to make such appeal within such 60-day period, in which case the claimant must file his or her appeal within 60 days after the time it becomes reasonable for him or her so to file an appeal). If any appeal is filed in accordance with such rules, the claimant, and any duly authorized representative of the claimant, will be given the opportunity to review pertinent documents and submit issues and comments in writing. A formal hearing may be allowed in its discretion by such Committee (or its agent designated by it for this purpose) but is not required.

8.6.4 Upon any appeal of a denied claim made pursuant to Section 8.6.3 above, the Committee which is assigned by the Board of Directors the duty to review appeals of denied claims (or its agent designated by it for this purpose) will provide a full and fair review of the subject claim and decide the appeal within 60 days after the filing of the appeal; except that if special circumstances require an extension of time for processing the appeal, the period in which the appeal is to be decided will be extended for up to an additional 60 days (and the party deciding the appeal will provide the claimant written notice of the extension prior to the end of the initial 60-day period). The decision on appeal will be set forth in a writing designed to be understood by the claimant, specify the reasons for the decision and references to

pertinent Plan provisions on which the decision is based, and be furnished to the claimant by such Committee (or its agent) within the 60-day period or 120-day period, as is applicable, described above.

8.6.5 Any Committee referred to in the foregoing provisions of this Section 8.6 may prescribe additional rules which are consistent with the other provisions of this Section 8.6, and the scope of the duties assigned to it by the Board of Directors, in order to carry out the Plan's claims procedures.

ARTICLE IX

TERMINATION OR AMENDMENT

9.1 RIGHT AND PROCEDURE TO TERMINATE.

9.1.1 Federated reserves the right to terminate the Plan in its entirety. The procedure for Federated to terminate this Plan in its entirety is as follows. In order to completely terminate the Plan, the Board of Directors shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board of Directors or by a written consent in lieu of a meeting, to terminate this Plan. Such resolutions shall set forth therein the effective date of the Plan's termination.

9.1.2 In the event the Board of Directors adopts resolutions completely terminating the Plan, no further benefits shall be paid after the effective date of the Plan's termination, except for the benefits accrued by Participants under the Plan as of the later of the effective date of the Plan's termination or the date such resolutions terminating the Plan are adopted (and such benefits will be paid in accordance with the provisions of the Plan as in effect immediately prior to the later of such dates). In determining the benefit accrued under the Plan as of the later of such dates by any Participant, however, any amount by which the Plan offsets its otherwise determined benefit for the Participant by reason of any amounts described in Section 4.2.3 above shall still be determined as of the date as of which the benefit applicable to the Participant under the Plan commences to be paid.

9.2 AMENDMENT OF PLAN. Subject to the other provisions of this Section 9.2, Federated may amend this Plan at any time and from time to time in any respect, provided that no such amendment shall decrease the benefits accrued under the Plan by Participants as of the later of the effective date of such amendment or the date such amendment is adopted. In determining the benefit accrued under the Plan as of the later of such dates by any Participant, however, any amount by which the Plan offsets its otherwise determined benefit for the Participant by reason of any amounts described in Section 4.2.3 above shall still be determined as of the date as of which the benefit applicable to the Participant under the Plan commences to be paid. The procedure for Federated to amend this Plan is as follows:

9.2.1 Subject to Section 9.2.2 below, in order to amend the Plan, the Board of Directors shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board of Directors or by a written consent in lieu of a meeting, to amend this Plan. Such resolutions shall either (1) set forth the express terms of the Plan amendment or (2) simply set forth the nature of the amendment and direct an officer of Federated or any other Federated employee to have prepared and to sign on behalf of Federated the formal amendment to the Plan. In the latter case, such officer or employee shall have prepared and shall sign on behalf of Federated an amendment to the Plan which is in accordance with such resolutions.

9.2.2 In addition to the procedure for amending the Plan set forth in Section 9.2.1 above, the Board of Directors may also adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board of Directors or by a written consent in lieu of a meeting, to delegate to any officer of

Federated the authority to amend the Plan. Such resolutions may either grant the officer broad authority to amend the Plan in any manner the officer deems necessary or advisable or may limit the scope of amendments he or she may adopt, such as by limiting such amendments to matters related to the administration of the Plan. In the event of any such delegation to amend the Plan, the officer to whom authority is delegated shall amend the Plan by having prepared and signing on behalf of Federated an amendment to the Plan which is within the scope of amendments which he or she has authority to adopt. Also, any such delegation to amend the Plan may be terminated at any time by later resolutions adopted by the Board of Directors. Finally, in the event of any such delegation to amend the Plan, and even while such delegation remains in effect, the Board of Directors shall continue to retain its own right to amend the Plan pursuant to the procedure set forth in Section 9.2.1 above.

ARTICLE X

MISCELLANEOUS

10.1 PLAN NOT A CONTRACT OF EMPLOYMENT. The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan except as specifically provided in the Plan. The establishment of the Plan shall not be construed as conferring any legal rights upon any Participant for a continuation of employment, nor shall it interfere with the right of the Employer to discharge any Employee and to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant in this Plan. Each Participant (and any beneficiary of or other person claiming through the Participant) who may have or claim or right under the Plan shall be bound by the terms of the Plan.

10.2 CONSTRUCTION.

10.2.1 The Plan is intended to be a plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees (within the meaning of Sections 201, 301, and 401 of ERISA), and its terms shall be interpreted accordingly.

10.2.2 Further, the provisions of the Plan shall be administered and enforced according to applicable Federal law and, only to the extent not preempted by ERISA, the laws of the State of Ohio.

10.2.3 If any provision of the Plan, or the application of any such provision to any person or circumstances, shall be invalid under any applicable law, neither the application of such provision to persons or circumstances other than those as to which such provision is invalid nor any other provisions of the Plan shall be affected thereby.

10.2.4 The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

10.2.5 In the construction of the Plan, the singular shall include the plural, and the plural shall include the singular, in all cases where such meanings would be appropriate.

IN WITNESS WHEREOF, the sponsor of the Plan hereby signs this amendment and restatement of the Plan this 12th day of December, 1996, effective for all purposes as of January 1, 1997.

FEDERATED DEPARTMENT STORES, INC.

By /s/ John R. Sims

Title Vice President

Exhibit 10.47

EXECUTIVE DEFERRED COMPENSATION PLAN OF FEDERATED DEPARTMENT STORES, INC.

ARTICLE I

1.1 "PLAN" means the Executive Deferred Compensation Plan of Federated Department Stores, Inc., as described in this instrument.

1.2 "COMPANY" means Federated Department Stores, Inc. or any successor company thereafter.

1.3 "COMMITTEE" means one or more Committees appointed to administer the Plan as and to the extent provided in Article VIII.

1.4 "EFFECTIVE DATE" means November 1, 1993.

1.5 "EXECUTIVE" means an employee of the Company or of any division, subsidiary or affiliate of the Company whose annualized rate of base compensation as of the first day of a Plan Year or the first day of his Initial Eligibility is not less than $96,368. Such amount may be adjusted from time to time as the Committee may determine.

1.6 "INITIAL ELIGIBILITY" means (a) for each Plan Year beginning January 1, 1994 or later, the first day of the calendar quarter following the date an employee of the Company becomes an Executive; and (b) as to an Executive who was hired on or before May 1, 1993, (i) November 1, 1993 if his base salary on that date was at least $150,000, and (ii) December 1, 1993 if his base salary on that date was at least $96,368 and less than $150,000.

1.7 "FISCAL YEAR" means the fiscal year of the Company as established from time to time.

1.8 "PARTICIPANT" means a person a portion of whose compensation for any Plan Year has been deferred pursuant to the Plan and whose Cash or Stock Credits have not been wholly distributed.

1.9 "DEFERRED COMPENSATION" means the portion of a Participant's compensation for any Plan Year, or part thereof, that has been deferred pursuant to the Plan.

1.10 "CASH CREDITS" of a Participant at any time means the sum of all amounts, including interest equivalents, theretofore credited to him pursuant to Section 3.1 less the amounts theretofore distributed.

1.11 "STOCK CREDITS" of a Participant at any time mean the aggregate of all stock equivalents and dividend equivalents theretofore credited to him pursuant to Section 4.1, less the amounts thereof theretofore distributed.

1.12 "TERMINATION OF SERVICE" or similar expression means the termination of the Participant's employment as a regular employee of the Company and any division, subsidiary or affiliate thereof, and shall include retirement. A Participant who is on temporary leave of absence, whether with or without pay, shall not be deemed to have terminated his service.

1.13 "PLAN YEAR" means the calendar year.

ARTICLE II

2.1 Each Executive of the Company or of any division, subsidiary or affiliate of the Company may elect to have a percentage of his base compensation, to be received by him during each Plan Year from and after January 1, 1994 deferred in accordance with the terms and conditions of the Plan. The percentage of such base compensation that may be so deferred for any Plan Year

shall not exceed 50%, which percentage in each case shall be a multiple of 5%.

An Executive desiring to exercise such election shall, prior to the beginning of each such Plan Year (or prior to the beginning of the calendar quarter immediately following the Executive's Initial Eligibility, if other than at the beginning of a Plan Year, but in no event later than thirty days after his Initial Eligibility), notify the Company, in writing, of the percentage of such base compensation for such Plan Year that he elects to be so deferred.

Prior to each Plan Year beginning on or after January 1, 1994 and each Plan Year thereafter, each Executive may make a separate election to defer all or a portion of any annual incentive bonus or any long-term incentive bonus, the measurement period for which commences with or within the Plan Year for which an election is being made. Such percentage shall not exceed 100% as to any cash bonuses to be paid under the Company's 1992 Incentive Bonus Plan (or any successor plan) during any such Plan Year. Each such percentage shall be in each case a multiple of 5%.

Each Executive eligible for 1993 deferrals may make a separate election (i) prior to November 1, 1993 to have a percentage of his base compensation during the period from November 1, 1993 to December 31, 1993, or (ii) prior to December 1, 1993 to have a percentage of his base compensation during the period from December 1, 1993 to December 31, 1993, depending on the Initial Eligibility date applicable to such Executive, deferred in accordance with the terms and conditions of the Plan. The percentage of such base compensation that may be deferred for such period shall not exceed 90%, which percentage shall be a multiple of 5%.

2.2 The amount of a Participant's Deferred Compensation shall be credited to him either as a Cash Credit or as a Stock Credit as provided in Article III or Article IV, as the case may be, pursuant to the Participant's election for any Plan Year. Such election shall be made in writing at the same time that the Participant elects said percentage as provided in Section 2.1. If a Participant shall fail to make such election at such time, he shall be deemed to have elected the Deferred Compensation credited to him as a Stock Credit.

2.3 A Participant's Cash Credits and Stock Credits shall be distributable in the manner and subject to the conditions set forth in Article VI.

ARTICLE III

3.1 (a) If a Cash Credit is elected, the Participant shall be credited, as of the end of each calendar quarter of each Plan Year for which the election was made, with the dollar amount of the Deferred Compensation.

(b) The Cash Credits of each Participant shall be credited, as of the end of each calendar quarter, with an interest equivalent determined by applying to 100% of such Participant's Cash Credits at the beginning of each calendar quarter, less the amounts distributable or withdrawn pursuant to Article VI during such quarter, an interest rate equal to one quarter of the percent per annum on United States Five-Year Treasury Bills as of the last day of such calendar quarter.

ARTICLE IV

4.1 (a) If a Stock Credit is elected, the Participant shall be credited, as of the end of each calendar quarter, with a stock equivalent which shall be the number of full shares of common stock of the Company that is transferred to or purchased by the Trust provided for in Section 7.4 with the amount of his Deferred Compensation for such calendar quarter and with the dollar amount of any part of such credit that is not convertible into a full share.

(b) The Stock Credits of each Participant shall be credited, as of the end of each calendar quarter, with a dividend equivalent which shall be an amount determined by multiplying the dividends payable, either in cash or property (other than common stock of the Company), upon a share of common stock of the Company to a stockholder of record during such calendar quarter, by the number of shares in the Participant's Stock Credits at the beginning of such

calendar quarter, less the number of shares distributable or withdrawn pursuant to Article VI during such quarter for which credit is being made. In case of dividends payable in property, the dividend equivalent shall be based on the fair market value of the property at the time of distribution of the dividend, as determined by the Committee. If the dollar amount credited to the Stock Credits of a Participant at the end of any calendar quarter equals or exceeds the average

closing price of one share of common stock of the Company determined as provided in subsection (a) of this Section 4.1, such amount shall be treated as if it were a Stock Credit made on such date and such dollar amount shall be reduced accordingly.

(c) If at any time the number of outstanding shares of common stock of the Company shall be increased as the result of any stock dividend or split-up, the number of shares credited to each Participant's Stock Credits shall be increased in the same proportion as the outstanding number of shares of common stock is increased, or if the number of outstanding shares of common stock of the Company shall at any time be decreased as the result of any combination of outstanding shares, the number of shares credited to each Participant's Stock Credits shall be decreased in the same proportion as the outstanding number of shares of common stock is decreased. In the event the Company shall at any time be consolidated with or merged into any other corporation, there shall be credited to each Participant's Stock Credits, in lieu of the common stock of the Company then credited thereto, the stock of securities given in exchange for a share of common stock of the Company upon such consolidation or merger, multiplied by the number of shares of common stock then credited to the Stock Credits of the Participant.

ARTICLE V

5.1 If the Company shall be adjudicated or determined to be insolvent by a court of competent jurisdiction, either in bankruptcy or otherwise, all Stock Credits of all Participants shall be deemed as of the date of commencement of such proceeding, to be Cash Credits in the same dollar amount as would have been credited to them at the time such Stock Credits were credited had they at that time elected to have them credited as Cash Credits, together with interest equivalents thereon from that time computed as provided in Section 3.1(b); and together with all other credits of all Participants shall constitute debts of the Company in any such proceeding.

ARTICLE VI

6.1 (a) The following rules shall apply to distributions under the Plan.

(i) Except in the case of a Participant who has exercised the election provided in the following paragraph of this Section 6.1(a), such distribution shall be made in fifteen approximately equal annual installments.

(ii) A Participant may request in writing to the Committee at any time prior to the termination of his service that the distribution of his Cash or Stock Credits to him following such termination shall be made in one to fifteen approximately equal installments as the Participant shall request. The Committee in its sole discretion shall determine whether to grant such request. Such request by a Participant may be exercised only once and shall, if approved by the Committee, be irrevocable.

(iii) Notwithstanding the foregoing provisions of this section, if a Participant's Cash and Stock Credits shall have a value of less than $15,000 at the date of termination of his service, payment of such Cash and Stock Credits shall be made in one installment. Such value of Stock Credits shall be based on the closing market price on the New York Stock Exchange on the nearest day of sale preceding the date of

termination of his service.

(b) Distribution of the Cash and Stock Credits pursuant to subsection (a) of this Section 6.1 shall be made as soon as practicable following the end of the Fiscal Year in which such termination of service occurred.

(c) A Participant may request in writing to the Committee prior to the termination of his service, that the distribution of his Cash or Stock Credits, in the event that his service shall terminate by reason of his death, to the person or persons designated as provided in Section 6.2 or to his estate, as the case may be, shall be made in approximately equal installments as the Participant shall request not to exceed fifteen. The Committee in its sole discretion shall determine whether to grant such request. If no request is made, such distribution shall be made in fifteen installments. In any event, if the beneficiary is an estate or if the value of the Participant's Cash and Stock Credits shall be less than $15,000 at the date of the Participant's death (such value determined in accordance with Section 6.1(a)(iii), payment shall be made in one installment.

(d) Notwithstanding the foregoing provisions of this section, in the event of a "designated change of control" (as defined herein) of the Company, distribution of the Cash and Stock Credits of a Participant (or the person or persons designated as provided in Section 6.2) shall be made to such person in a single payment as soon as practicable following such "designated change of control", in accordance with the provisions of Section 6.4 but not sooner than 30 days after such "designated change of control" occurs. For purposes of this paragraph, a "designated change of control" of the Company shall be deemed to have occurred if any of the following transactions shall have transpired: (i) any person or group (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than an employee benefit plan sponsored by the Company) makes a tender or exchange offer for shares of common stock of the Company (other than pursuant to a merger or consolidation agreement) pursuant to which purchases are made which result (together with any other holding) in such person or group becoming the beneficial owner within the meaning of Rule 13d-3 under the Act of more than 20% of the Company's then outstanding common stock; (ii) the Company becomes aware that any person or group (as defined above) has become the beneficial owner (as defined above) of more than 20% of the Company's then outstanding common stock and such information has been presented to and considered by the Board of Directors; (iii) the stockholders of the Company approve a definitive agreement to merge or consolidate the Company with or into another corporation or to sell or otherwise dispose of all or substantially all its assets, or adopt a plan of dissolution

or liquidation; or (iv) individuals who were members of the Board of Directors cease to constitute at least a majority thereof as a result of a contested election. The foregoing notwithstanding, a merger of Federated Department Stores, Inc. with R.H. Macy & Co., Inc. pursuant to the Joint Plan of Reorganization of R.H. Macy & Co., Inc. and certain of its subsidiaries for which Federated Department Stores, Inc. and R.H. Macy & Co., Inc. are joint plan proponents, filed with the United States Bankruptcy Court for the Southern District of New York on July 29, 1994, as the same may be amended or modified, shall not be deemed a "designated change of control" of the Company for the purposes of this Plan.

6.2 Any Cash or Stock Credits or remaining undistributed installments thereof, which become distributable after the death of a Participant, shall be distributed in installments, as provided in this Article VI, to such person or persons, or the survivors thereof, including corporations, unincorporated associations or trusts as the Participant may designate. The Participant may also designate to his widow the absolute power to appoint by will one or more persons including her estate, to receive payments distributable to her if she should die before all distributions have been received. All such designations shall be made in writing delivered to the Committee. The Participant may from time to time revoke or change any such designation on file with the Committee. At the time of the Participant's death, if the person or persons designated therein shall have all predeceased the Participant or otherwise ceased to exist or if no beneficiary designation is on file, such distributions shall be made to the Participant's estate. If the person or persons designated therein shall survive the Participant but shall die before receiving all of such distribution,

the balance thereof payable to such deceased distributee shall, unless the Participant's designation provides otherwise, be distributed to such deceased distributee's estate.

6.3 The distribution of the Cash or Stock Credits of a Participant whose service is terminated by reason of his death shall be made as provided in Section 6.1(c). If the death of the Participant occurs after the termination of his service, the number of installments remaining to be paid shall be the number which otherwise would be distributable to the Participant, provided that the beneficiary may request, within six months of the death of the Participant, in writing to the Committee a shorter number of installments as to all installments which have not yet become payable. The Committee in its sole discretion shall determine whether to grant such request. In any event, if the beneficiary is an estate, payment shall be made in one installment.

6.4 Distribution of the Cash Credits of a Participant shall be made in cash. Distribution of the Stock Credits of a Participant shall be made by delivery of the number of shares of common stock of the Company credited from the shares held in the Trust provided for in Section 7.4 hereof and by payment of the balance, if any, in cash, except to the extent provided for in Section 6.5. The Committee may, with the consent of the person or persons then entitled to receive distribution of the next payable Cash or Stock Credits (including Stock Credits as to which the elections provided in the following

paragraphs have been exercised), make other changes in the time of distribution of all or part of the undistributed Cash or Stock Credits.

6.5 To the extent that the Company or the trustee provided for in Section 7.4 hereof is required to withhold federal, state, local or foreign taxes in connection with any payment made to a Participant or other person hereunder, it shall be a condition to the receipt of such payment that the Participant or such other person make arrangements satisfactory to the Company or the trustee, as the case may be, for the payment of all such taxes required to be withheld. In the case of any distribution to be made in shares of common stock of the Company, the Participant shall have the right to have the Company or the trustee, as the case may be, retain shares having a then fair market value equal to the amount of tax required to be withheld in respect of such distribution.

6.6 Notwithstanding any other provision of this Article VI, in the event of a "designated change of control" of the Company, all Stock Credits of Participants (or the person or persons designated as provided in Section 6.2) shall be changed following the date of such "designated change of control" to, and each Participant (or the person or persons designated as provided in Section 6.2) shall instead be credited as of such date with, their cash equivalent determined as follows: the number of shares of common stock of the Company represented by the Stock Credits of a Participant shall be multiplied by the greater of (i) the average price of such stock computed on a daily basis for the ninety (90) day calendar period immediately preceding said date of "designated change of control", or (ii) the highest price offered for shares of common stock of the Company by the corporation, person or group making a tender or exchange offer for shares of common stock of the Company that is comprised within a transaction constituting a "designated change of control" of the Company. Such Participant shall not be credited with any dividend equivalents with respect to such Stock Credits for the quarter of the Plan Year in which said Stock Credits shall be so changed, but the dollar amount distributable to him as aforesaid in lieu thereof shall instead be credited, in that Plan Year and subsequent Plan Years, with an interest equivalent to the same extent that Cash Credits would be so credited. For purposes of this Section 6.6 a "designated change of control" shall have the same meaning as set forth in Section 6.1(d) hereof.

6.7 Notwithstanding any other provision of the Plan, a Participant or a beneficiary of a Participant may withdraw all or a portion of his account in the event of unforseeable emergency. For this purpose, unforseeable emergency means that funds are necessary in light of the immediate and heavy unexpected financial needs of the Participant or beneficiary. Any such distribution shall be limited to the amount required to meet any immediate financial need that is not reasonably available from other sources, all as determined by the Committee. Distribution shall be made in cash as soon as practicable following approval of

the withdrawal request by the Committee. The Participant's deferrals shall be suspended and the Participant shall not be permitted to again defer until the beginning of the second Plan Year following the withdrawal. The Stock Credits shall be converted to cash based on the closing market price on the New

York Stock Exchange on the nearest day of sale preceding the day such withdrawal request is approved by the Committee.

ARTICLE VII

7.1 No Participant or any other person shall have any interest in any fund or in any specific asset or assets of the Company by reason of any Cash or Stock Credits or interest or dividend equivalent credited to him hereunder, nor the right to exercise any of the rights or privileges of a stockholder with respect to any common stock credited to his Stock Credits, nor any right to receive any distribution under the Plan except as to the extent expressly provided in the Plan. Nothing in the Plan shall be deemed to give any officer or any employee of the Company or any division, subsidiary or affiliate of the Company any right to participate in the Plan, except in accordance with the provisions of the Plan.

7.2 Neither the adoption nor the amendment of the Plan, nor any action of the Board of Directors of the Company or the Committee, nor any election to defer compensation hereunder, shall be held or construed to confer on any person any legal right to continue as an employee of the Company or any division, subsidiary or affiliate of the Company.

7.3 No Participant shall have the right to assign, pledge or otherwise dispose of (except (i) by the exercise of a power of appointment designated as in Article VI provided or (ii) as provided in Article VI) any Cash or Stock Credits nor shall the Participant's interest therein be subject to garnishment, attachment, transfer by operations of law, or any legal process; nor shall any person entitled to receive Cash or Stock Credits or remaining undistributed installments thereof, which become distributable after the death of a Participant in accordance with Article VI, have the right to assign or pledge any such credits or remaining undistributed installments.

7.4 The Company shall establish and keep in effect as long as benefits are payable under the Plan, a Grantor (Rabbi) Trust, intended to meet the safe harbor provisions of RevProc 92-64, for the benefit of Participant's Stock Credits under the Plan (the "Trust"). The Company shall transfer to the Trust or cause the Trust to purchase shares of common stock of the Company from time to time which shall be held for the benefit of all Participants who have Stock Credits in such amounts so that the number of shares at the end of each calendar quarter shall equal the number of Stock Credits of all Participants outstanding under the Plan. Distribution of shares pursuant to Section 6.4 of the Plan shall be made directly from the Trust.

The Trust (i) shall be governed by and subject to the terms of a trust agreement entered into between the Company, as grantor, and the trustee and (ii) shall provide that the trustee shall promptly distribute to a Participant such shares of common stock as the Participant shall be entitled to pursuant to the Plan as directed by the

Company. For purposes of making such distributions the trustee shall be entitled to rely upon the written directions of the Company.

ARTICLE VIII

8.1 The administration of various aspects of the Plan by the Company shall be monitored by one or more Committees appointed from time to time by the Board of Directors of the Company to serve at the pleasure of the Board of Directors.

8.2 As to each such Committee, three members of the Committee shall constitute a quorum for the transaction of business by such Committee. All

action taken by the Committee at a meeting shall be by the vote of a majority of those present at such meeting, but any action may be taken by the Committee without a meeting upon written consent signed by all of the members of the Committee.

8.3 All determinations of the Committee with respect to such Committee's responsibilities as designated by the Board of Directors, including but without limitation the determination of the Committee as to any disputed question arising under the Plan, including all questions of construction and interpretation, shall be final, binding and conclusive upon all persons. Without limiting the generality of the foregoing, the determination of the Committee as to whether a Participant has terminated his service and the date thereof shall be final, binding and conclusive upon all persons.

8.4 The acknowledgment by the Company or the Committee of an assignment or pledge made in accordance with provisions of Section 7.3 and any distribution by the Company to the assignee or pledgee shall be final, binding and conclusive upon all persons and shall relieve the Company and Committee of any liability or obligation to any other person or persons with respect to such distribution. As a condition to such acknowledgment or distribution the Company or the Committee may require the submission of such statements, opinions, orders, certificates, resolutions, or other instruments, or documents, consents or evidence, as the case may be, and may impose such requirements of conditions, as either of them, in its sole discretion, shall determine to be necessary or appropriate. Such acknowledgment or distribution shall in no event constitute an amendment, modification or waiver of any of the provisions of the Plan, or impose any obligation on the Company or Committee except as expressly provided by the Plan.

8.5 The Company or the committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligation or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advise of such counsel.

8.6 Whenever the context so requires, words in the masculine include the feminine and in the feminine include the masculine.

ARTICLE IX

9.1 The Board of Directors of the Company may, in its absolute discretion, without notice, any time and from time to time, modify or amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate it entirely, provided, that no such modification, amendment, suspension or termination may, without his consent, apply to or affect the payment or distribution to any Participant of any Cash or Stock Credits, credited to him for any Plan Year ended prior to the effective date of such modification, amendment, suspension or termination.

Exhibit 10.48

FEDERATED DEPARTMENT STORES, INC.

PROFIT SHARING 401(k) INVESTMENT PLAN

(Amending and restating the Federated Department Stores, Inc.
Retirement Income and Thrift Incentive Plan effective as of April 1, 1997)

FEDERATED DEPARTMENT STORES, INC.
PROFIT SHARING 401(k) INVESTMENT PLAN
(Amending and restating the Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan effective as of April 1, 1997)

This plan shall be known as the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan (the "Plan").

The Plan provides additional retirement income to persons who participate in the Plan. In this regard, it is intended that the Plan (together with the Trust used in conjunction with the Plan) qualify as a tax-favored plan and trust under Sections 401(a) and 501(a) of the Code. The Plan shall be interpreted in a manner consistent with Sections 401(a) and 501(a) of the Code wherever possible.

The Plan was adopted by Federated effective as of January 25, 1953 and has been amended many times since then. Its name immediately prior to its amendment and restatement under this document was the Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan. This document, except as otherwise provided herein, amends and restates the Plan effective as of April 1, 1997.

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SECTION 1

DEFINITIONS

As used in this Plan, the following general terms shall have the meanings indicated below unless it is clear from the context that another meaning is intended:

1.1 ACCOUNTS - means, with respect to any Participant, the bookkeeping accounts established by the Committee for the Participant in accordance with the provisions of this Plan, and as to which contributions, forfeitures, and Trust income and losses may be allocable under the Plan. The specific types and names of Accounts provided for a Participant under the Plan are set forth in the subsequent provisions of the Plan. Any reference to an Account (or to a portion of an Account) in this Plan shall also be deemed a reference to all amounts allocated to such Account (or to such Account portion) under this Plan.

1.2 AFFILIATED EMPLOYER - means each corporation which is a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code as modified when applicable by Section 415(h) of the Code) of which the Employer is a member, each trade or business which is under common control (within the meaning of Section 414(c) of the Code as modified when applicable by Section 415(h) of the Code) with the Employer, each member of an affiliated service group (within the meaning of Section 414(m) of the Code) which includes the Employer, and each other entity required to be aggregated with the Employer under Section 414(o) of the Code; except that any corporation or trade or business which is considered as part of the Employer as defined in Section 1.10 below shall not also be considered an Affiliated Employer hereunder.

1.3 ANNUITY - means a form of benefit without life insurance which provides for equal payments at regular installments over more than a one-year period.

1.4 BOARD - means the Board of Directors of Federated.

1.5 CODE - means the Internal Revenue Code of 1986 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.6 COMMITTEE - means the committee appointed by Federated to serve as the administrative and investment committee described in Section 12 below. Federated may appoint the same committee to perform the duties and responsibilities of the committee under this Plan and the committee under any other tax-qualified retirement or savings plan maintained by the Employer or any Affiliated Employer.

1.7 COMPENSATION - means, with respect to an Employee and for any period, the amount determined as follows:

(a) Subject to paragraphs (b), (c), and (d) below, the Employee's "Compensation" for any period shall mean his or her wages (within the meaning of Section 3401(a) of the Code) and all other compensation paid to the Employee by the Employer for his or her period of service as an Employee and for which the Employer is required to furnish the Employee a written statement under Section 6051(a)(3) of the Code (E.G., compensation reported in Box 1 on a Form W-2). Such Compensation shall be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed. In addition, the Employee's Compensation shall not be aggregated for Plan purposes with the Compensation of any other Employee, including any other Employee who is a family member of the subject Employee.

(b) Notwithstanding the foregoing, the following types of irregular or additional compensation shall not be included in the "Compensation" of an Employee for any period by reason of the provisions of paragraph (a) above: director's fees; contributions made to or payments received from a plan of deferred compensation; amounts realized from or recognized by reason of a restricted stock award; amounts realized from or recognized by reason of stock appreciation rights; amounts realized from or recognized by reason of the exercise of a stock option or the disposition of stock acquired under a stock option; long-term cash bonuses based on meeting performance goals which are measured over more than a one year period; moving expense reimbursements or payments made to cover mortgage interest differentials resulting from a move; merchandise or savings bond awards; reimbursements for tuition or educational expenses; cost of living allowances; amounts resulting from a forgiveness of a loan; retention bonuses or severance pay paid by reason of or approved by an order of a court; amounts which represent a sign-on bonus for agreeing to be employed by the Employer; sick pay or disability payments made under a third-party payor arrangement; any imputed income or the like arising under welfare or other fringe benefit plans or programs (including but not limited to group term life insurance, use of employer cars, financial counseling, and employee discounts); any payments made to cover any personal income taxes resulting from the imputing of income by reason of welfare or other fringe benefits; and lump sum severance payments or lump sum payments in settlement of disputes involving termination of employment which are not otherwise described in this paragraph (b).

(c) In addition to the amounts included in the Employee's "Compensation" for any period under paragraph (a) and paragraph (b) above, and notwithstanding the provisions of such paragraphs, the Employee's "Compensation" for any period shall also include (1) any amounts contributed to a plan qualified under Section 401(a) of the Code and maintained by the Employer which were subject to a cash or deferred election of the Employee made under and pursuant to Section 401(k) of the Code and which are not includable in the Employee's income for such period by reason of Section 402(e)(3) of the Code and (2) any amounts treated as employer contributions to a cafeteria plan maintained by the Employer by reason of an election of the Employee made under and pursuant to Section 125 of the Code and which are not includable in the Employee's income for such period by reason of Section 125 of the Code.

(d) Finally, notwithstanding any of the provisions of the foregoing paragraphs of this Section 1.7, the total amount of allocations under the Plan for any Plan Year ending after the Effective Amendment Date with respect to the Accounts of the Employee shall not exceed the maximum amount of allocations which could result for such Plan Year if the "Compensation" of the Employee for such Plan Year did not exceed $150,000 (or any higher amount to which this figure is adjusted under Section 401(a)(17) of the Code by the Secretary of the Treasury or his or her delegate for the calendar year in which such Plan Year begins).

1.8 EFFECTIVE AMENDMENT DATE - means the effective date of this amendment and restatement of the Plan, which is April 1, 1997.

1.9 EMPLOYEE - is used herein only to refer to an individual who is eligible to be a Participant in the Plan if and after he or she meets all of the participation requirements set forth in Section 3 below (including certain minimum age and minimum service requirements set forth in Section 3 below) and means an individual who qualifies as an "Employee" under the following provisions:

(a) Subject to the other provisions of this Section 1.9, an "Employee" means, at any point in time, an individual who is a common law employee of the Employer and who is classified as an employee by the Employer for payroll payment and withholding purposes at such time.

(b) Notwithstanding the foregoing, none of the following individuals shall be considered an "Employee" for purposes of the Plan: (1) a director of the Employer who is not employed by the Employer in any other capacity; (2) except where Federated has otherwise agreed, any person whose compensation is paid by the Employer for the lessee of a leased department in a store operated by the Employer; (3) any person who is stationed outside the United States from the time he or she first becomes employed by the Employer or who receives his or her Compensation in foreign currency; (4) any person whose compensation consists solely of a retainer or fee; or (5) any person who is represented by a collective bargaining unit unless a collective bargaining agreement between the authorized representatives of such collective bargaining unit and the Employer approves such person's eligibility to participate in plans both (x) which are qualified as tax-favored plans under Section 401(a) of the Code and (y) the sponsor (as such term is defined in ERISA) of which is the Employer.

(c) Also, subject to the following provisions of this paragraph (c) but notwithstanding the foregoing, unless included in the Plan by action of the Board or pursuant to an applicable collective bargaining agreement, an "Employee" for purposes of the Plan shall not include any person who is a participant, eligible for participation, or in the process of qualifying for participation in any other defined contribution plan (within the meaning of Section 414(i) of the Code) which qualifies under Section 401(a) of the Code and the cost of which is borne, in whole or in part, by the Employer or any Affiliated Employer. However, a person who otherwise qualifies as an "Employee" under the other provisions of this Section 1.9 shall not be considered other than an "Employee" merely because of his or her participation in

another plan if such participation relates solely to employment which preceded the date on which he or she would otherwise become a Participant under the Plan and the person's benefits under such other plan relate solely to contributions made with respect to such past service.

(d) Further, when any corporation which is part of the Employer at any point in time later loses its status as being part of the Employer (because it no longer is part of a controlled group of corporations which includes Federated or because of any other reason), all persons who are considered "Employees" under this Plan by reason of their employment by such corporation immediately prior to such corporation losing its status as part of the Employer shall no longer be considered "Employees" under this Plan upon such corporation's loss of Employer status.

(e) In addition, any Leased Employee shall be considered an Employee only if he or she is both a Leased Employee of the Employer and Federated has agreed to his or her being considered an Employee for purposes of this Plan.

1.10 EMPLOYER - means each and every corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated. Except where the context otherwise is clear, any reference to the Employer in this Plan shall be deemed to be referring collectively to all of the corporations which comprise the Employer.

1.11 ERISA - means the Employee Retirement Income Security Act of 1974 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.12 FEDERATED - means Federated Department Stores, Inc., or any corporate successor thereto. Federated is the sponsor of this Plan.

1.13 HIGHLY COMPENSATED EMPLOYEE - means, with respect to any Plan Year (for purposes of this Section 1.13, the "subject Plan Year"), any person who is a highly compensated employee (within the meaning of Section 414(q) of the Code) for the subject Plan Year. Under the provisions of Code Section 414(q) as in

effect on the Effective Amendment Date, subject to any subsequent changes to such Code Section, a person shall be considered as a highly compensated employee for the subject Plan Year if he or she an Employee during at least part of such Plan Year and (1) was at any time a 5% owner (as defined in Section 416(i)(1) of the Code) of the Employer or any Affiliated Employer during the subject Plan Year or the immediately preceding Plan Year (for purposes of this Section 1.13, the "look-back Plan Year") or (2) received Compensation in excess of $80,000 in the look-back Plan Year. The $80,000 amount set forth above shall be adjusted for each Plan Year beginning after the Effective Amendment Date in accordance with the adjustment to such amount made by the Secretary of the Treasury or his or her delegate under Section 414(q)(1) of the Code. Finally, a person shall be considered a highly compensated employee for the subject Plan Year under the provisions of Code Section 414(q) as in effect on the Effective Amendment Date if he or she separated from

service (or was deemed to have separated from service under Treasury regulations issued under Section 414(q) of the Code) prior to the subject Plan Year, if he or she performs no services for the Employer during the subject Plan Year, and if he or she was considered a highly compensated employee under the provisions of Code Section 414(q) for either the Plan Year in which he or she separated from service (or was deemed to have separated from service) or any Plan Year ending on or after the person's 55th birthday.

1.14 INVESTMENT FUND - means one of the separate commingled investment funds established under the Trust which are used for the investment of assets of the Plan. The specific Investment Funds used for the Plan are described in the subsequent provisions of the Plan.

1.15 LEASED EMPLOYEE - means any person who is a leased employee (within the meaning of Section 414(n) of the Code) of the Employer or an Affiliated Employer. Under Code Section 414(n), subject to any subsequent changes to such Code Section, a leased employee is an individual who provides services to a recipient, in a capacity other than as a common law employee of the recipient, in accordance with each of the following three requirements: (1) the services are provided pursuant to an agreement between the recipient and one or more leasing organizations; (2) the individual has performed such services for the recipient on a substantially full-time basis for a period of at least one year; and (3) such services are performed under the primary direction or control by the recipient. The determination of who is a Leased Employee shall be consistent with any regulations issued under Section 414(n) of the Code.

1.16 LEAVE OF ABSENCE - means, with respect to an Employee, any period of the Employee's absence from service with the Employer which does not constitute a quit, retirement, or discharge under any uniform and nondiscriminatory personnel policy of the Employer which applies to the class of Employees to which such Employee belongs. For this purpose, if for any period the Employee continues to be paid his or her regular salary or wages and to perform any services required of him or her by the Employer, he or she is not considered absent from service (and thereby is not on a Leave of Absence) for such period. A Leave of Absence shall in any event include an absence of the Employee from service for maternity or paternity reasons. An absence for "maternity or paternity reasons" means an absence from service (1) by reason of the pregnancy of the Employee, (2) by reason of the birth of a child of the Employee, (3) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (4) for purposes of caring for such child for a period immediately following such birth or placement. An Employee shall be treated as still being an Employee for purposes of the Plan while on a Leave of Absence, but he or she shall be treated as having terminated his or her employment with the Employer at the end of any Leave of Absence unless at such time he or she returns to service with the Employer or is granted by the Employer an extension of the approved leave of absence period.

1.17 NON-HIGHLY COMPENSATED EMPLOYEE - means, with respect to any Plan Year, any person who is an Employee during at least part of such Plan Year and who is not a Highly Compensated Employee with respect to such Plan Year.

1.18 NORMAL RETIREMENT AGE - means, with respect to any Participant,

the later of: (1) the date the Participant first reaches age 65; or (2) the fifth annual anniversary of the date the Participant first becomes a Participant in the Plan. A Participant shall be fully vested in his or her Accounts if, while an Employee, he or she attains the date which would be his or her Normal Retirement Age under this Section 1.18.

1.19 PARTICIPANT - means, at any relevant time, any person who at such time either is eligible to actively participate in the Plan or still has accrued benefits held under the Plan. Except as may otherwise be provided in Section 4.6 below, the provisions of Section 3 below determine when a person is a Participant on or after the Effective Amendment Date.

1.20 PLAN - means the Federated Department Stores, Inc. Profit Sharing 401(k) Investment Plan, as currently set forth in this document and as may be amended hereinafter. In addition, any reference to the "Plan" contained in this document also refers to all defined contribution plans which preceded and were continued by this current version of the Plan or any such other preceding plan, and any defined contribution plans which are or were merged into or have or had assets and liabilities directly transferred to this Plan as currently constituted or any of such other preceding plans, with all such other preceding and merged or transferred plans being referred to herein as the "Prior Plans." The provisions of the Prior Plans are hereby incorporated by reference in this document to the extent necessary to apply any provision of this document. In this regard, the Prior Plans include, but are not limited to, the Federated Department Stores, Inc. Retirement Income and Thrift Incentive Plan as in effect prior to the Effective Amendment Date (for purposes of this Section 1.20, the "prior Federated Savings Plan"), the Broadway Stores Inc. 401(k) Savings and Investment Plan (which was merged into the prior Federated Savings Plan as of March 31, 1997), the R.H. Macy & Co., Inc. Savings Plan (which was merged into the prior Federated Savings Plan as of March 31, 1997), and the Federated Savings Plan for Employees of Lazarus PA, Inc. (which was merged into the prior Federated Savings Plan as of March 31, 1997).

1.21 PLAN ADMINISTRATOR - means Federated.

1.22 PLAN YEAR - means the calendar year.

1.23 SAVINGS AGREEMENT - means, with respect to a Participant and for any specified period that the agreement is in effect, any agreement between the Participant and the Employer under which the Participant's Compensation for the specified period is reduced on a pre-tax basis and/or after-tax basis (in 1% increments up to 15%) and the amount of such pre-tax and/or after-tax reduction is contributed to the Trust by the Employer on behalf of the Participant. Any Savings Agreement is also subject to the following provisions:

(a) In no event may a Participant reduce his or her Compensation for any specified period on either a pre-tax or after-tax basis or on an aggregate basis by more than 15% pursuant to a Savings Agreement. The Committee may, in order to make it easier for the Plan to meet the limits set forth in Sections 4A and 5A below, further restrict the amount by which

any Participant who is then believed to be a Highly Compensated Employee may reduce his or her Compensation on either a pre-tax or after-tax basis or on an aggregate basis for a specified period pursuant to a Savings Agreement to some lower percent.

(b) Also, in no event may a Participant reduce his or her Compensation on a pre-tax basis for any calendar year by more than $9,500 (or any higher amount to which this figure is adjusted by the Secretary of the Treasury or his or her delegate for such calendar year pursuant to Section 402(g) of the Code).

(c) A Savings Agreement or an amendment of a Savings Agreement must be made on a form prepared or approved for this purpose by the Committee and filed with a Plan representative, by a communication to a Plan representative under a telephonic system approved by the Committee, or under any other method approved by the Committee, with the specific method or methods to be used to be chosen in its discretion by the Committee. The Committee may choose different methods to apply to Participants in different situations (E.G., requiring a form to be used for new Participant but a telephonic system to be used for other Participants). Regardless of what method is to be used for a

Participant, if the Participant properly enters into a Salary Reduction Agreement or amends such an agreement under the method for doing so which applies to him or her and the type of election he or she is making, for all other provisions of the Plan he or she will be deemed to have "filed" with a Plan representative such agreement or amendment on the day he or she completes all steps required by such method to enter into such agreement or amendment.

(d) Any election (by an appropriate method) that 0% of the Participant's Compensation is to be reduced shall not be considered a Savings Agreement for purposes of the Plan.

1.24 SPOUSE - means, with respect to an Employee and at any relevant time, the Employee's husband or wife who is recognized as such under the laws of the State in which the Employee resides at such time.

1.25 TOTAL DISABILITY OR TOTALLY DISABLED - means or refers, with respect to any Participant, to the Participant's permanent and continuous mental or physical inability by reason of injury, disease, or condition to meet the requirements of any employment for wage or profit. A Participant shall be deemed to be disabled for purposes of this Plan only when both of the following two requirements are met. First, a licensed physician or psychiatrist must provide to the Plan a written opinion that the Participant is totally disabled as that term is defined above. Second, the Participant must be eligible for and receive total disability benefits under Section 223 of the Federal Social Security Act, as amended, or any similar or subsequent section or act of like intent or purpose (unless the Committee determines, based on the written opinion of a licensed physician or psychiatrist provided the Committee pursuant to the immediately preceding sentence, that the Participant would be likely to qualify for such total disability benefits if he or she survived a sufficient amount of time to be processed for and receive such benefits but that he or she is also likely to die before he or she would otherwise be determined

by the Social Security Administration or other applicable government agency to qualify for or to receive such benefits).

1.26 TRUST - means the trust agreement used from time to time as the funding media for the Plan. The Trust is hereby deemed a part of this Plan.

1.27 TRUSTEE - means the person or entity serving from time to time as the Trustee under the Trust.

1.28 TRUST FUND - means the trust fund established in accordance with the Trust.

SECTION 2

SERVICE DEFINITIONS AND RULES

2.1 SERVICE DEFINITIONS. For purposes of the Plan, the following terms related to service shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 BREAK-IN-SERVICE - means, with respect to an Employee, any period which meets the following conditions:

(a) The Employee shall be considered to have incurred a Break-in-Service for any Plan Year which ends after the Effective Amendment Date and for which the Employee is credited with not more than 500 Hours of Service.

(b) If the Employee participated in a Prior Plan before the Effective Amendment Date, the Employee shall also be considered to have incurred a Break-in-Service for any twelve month period which occurs prior to January 1, 1997 to the extent that the provisions of the Prior Plan in which he or she last actively participated prior to January 1, 1997 treated such period as a break-in-service of the Employee as of December 31, 1996.

2.1.2 ELIGIBILITY SERVICE - means, with respect to an Employee, the Employee's period of service with the Employer to be taken into account for purposes of determining his or her eligibility to become a Participant in the Plan, computed as follows:

(a) An Employee who completes at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of such twelve consecutive month period.

(b) Further, an Employee who fails to complete at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of the first Plan Year commencing after such Employment Date during which he or she completes at least 1,000 Hours of Service.

(c) For an Employee who both (1) ceases to be an Employee of the Employer prior to his or her being credited with one year of Eligibility Service, and (2) suffers a Break-in-Service before being subsequently reemployed by the Employer, his or her service with the Employer prior to his or her reemployment shall be disregarded in determining the Eligibility Service he or she needs under the Plan to become a Participant (and his or her Reemployment Date shall be treated as if it were his or her Employment Date for such purposes).

2.1.3 EMPLOYMENT DATE - means, with respect to an Employee, the date on which the Employee first performs an Hour of Service.

2.1.4 HOUR OF SERVICE - means, with respect to an Employee, each hour for which the Employee: (1) is paid, or is entitled to payment, for the performance of duties as an Employee; (2) is directly or indirectly paid, or is entitled to payment, for a period of time (without regard to whether the employment relationship is terminated) when he or she performs no duties as an Employee due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence; or (3) is paid for any reason in connection with his or her employment as an Employee an amount as "back pay," irrespective of mitigation of damages. The crediting of Hours of Service to an Employee under the Plan shall also be subject to the following provisions:

(a) Notwithstanding the foregoing provisions of this Section 2.1.4, an Hour of Service shall not be credited to an Employee on account of a payment which solely reimburses such Employee for medical, or medically related, expenses incurred by or on behalf of the Employee.

(b) Also, subject to the other provisions of this Section 2.1.4, Hour of Service credit shall be calculated in accordance with paragraphs (b) and (c) of 29 C.F.R. Section 2530.200b-2 of the Department of Labor Hour of Service Regulations, which paragraphs are hereby incorporated by reference into this Plan.

(c) Any Employee who is exempt from the minimum wage and overtime pay requirements of the Federal Fair Labor Standards Act, and as to whom records of actual hours worked are thereby not needed to be kept for such purposes, shall be credited with: (1) if the period on which such Employee is paid is a week (or a multiple of a week), 45 Hours of Service for each week

included in each such period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4; (2) if the period on which such Employee is paid is a semi-monthly period, 95 Hours of Service for each such semi-monthly payroll period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4; or (3) if the period on which such Employee is paid is a month (or a multiple of a month), 190 Hours of Service for each month included in each such period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4.

(d) Hours of Service to be credited to an Employee in connection with each period (1) which is of no more than 31 days, (2) which begins on the first day of a pay period for the Employee (for purposes of this paragraph (d), the "initial pay period"), (3) which ends on the last day of the Employee's pay period which includes the pay day for the initial pay period, and (4) which overlaps two computation periods or occurs in a month which overlaps two computation periods shall be credited on behalf of the Employee to the computation period in which falls the first day of the month during which the pay day for the initial pay period occurs.

2.1.5 REEMPLOYMENT DATE - means, with respect to an Employee who has previously incurred a Break-in-Service, the first day after the Employee's most recent Break-in-Service on which the Employee performs an Hour of Service.

2.1.6 SIX-YEAR BREAK-IN-SERVICE - means, with respect to an Employee who has ceased to be an Employee of the Employer, a period of six or more Breaks-in-Service which is not interrupted by any period which is not included in a period of a Break-in-Service.

2.1.7 VESTING SERVICE - means, with respect to a Participant, the Participant's service with the Employer which is taken into account under the Plan for vesting purposes (I.E., for purposes of determining the Participant's nonforfeitable percentage of the Participant's Accounts under the Plan), computed as follows:

(a) The Participant shall be credited with one year of Vesting Service for each Plan Year which ends after the Effective Amendment Date and for which the Participant is credited with at least 1,000 Hours of Service.

(b) The Participant shall also be credited with years of Vesting Service equal to the number of years of vesting service he or she was credited with as of March 31, 1997 under the terms (as then in effect) of the Prior Plans in which he or she participated prior to the Effective Amendment Date (taking into account the provisions of each such Prior Plan for determining vesting service, including each such plan's provisions concerning breaks-in-service). In no event, however, shall any period which occurs prior to the Effective Amendment Date be counted more than once in determining the Participant's years of Vesting Service.

(c) Notwithstanding the foregoing, any Vesting Service completed by the Participant prior to a Six-Year Break-in-Service of the Participant which ends after the Effective Amendment Date shall be disregarded under the Plan if the Participant did not have a nonforfeitable interest in any retirement benefit under the Plan at the time such Break-in-Service began.

(d) As a special rule, if on March 31, 1997 the Participant was a participant in a Prior Plan which generally determined vesting service under the "elapsed time" approach described in Treas. Reg. Section 1.410(a)-7, then the Participant shall, in determining whether he or she is credited with a year of Vesting Service for the Plan Year which ends on December 31, 1997, be credited with Hours of Service for the period of the first calendar quarter of 1997 in accordance with the provisions of Section 2.1.4 above (whether or not the Participant is exempt from the minimum wage and overtime pay requirements of the Federal Fair Labor Standards Act).

2.2 SPECIAL CREDITED EMPLOYMENT. For purposes of the Plan, years during which an Employee was employed by a corporate or other predecessor of any corporation which becomes part of the Employer or an Affiliated Employer after

the Effective Amendment Date, or by any division (including any branch thereof) of the Employer or an Affiliated Employer whose

business is acquired by the Employer or the Affiliated Employer after the Effective Amendment Date, shall be considered in either case years of Eligibility Service and Vesting Service for this Plan if they would have been so considered under Section 2.1.2 or 2.1.7 above (as appropriate) had they been completed with the Employer or the Affiliated Employer and if the Employee had been employed by such predecessor or division at the time it so became part of or had its business acquired by the Employer or the Affiliated Employer (unless Federated provides, by appropriate corporate action exercised in a uniform and nondiscriminatory manner prior to the Employee becoming a Participant in this Plan, that such Eligibility Service and/or Vesting Service shall not be so credited to the Employee). In addition, Federated may also in its discretion provide, by appropriate corporate action exercised in a uniform and nondiscriminatory manner, that, for purposes of the Plan, years of an Employee's employment by a lessee of a leased department of a store operated by the Employer whose business is directly assumed by the Employer shall be considered years of Eligibility Service and/or Vesting Service for this Plan if they would have been so considered under Section 2.1.2 or 2.1.7 above (as appropriate) had they been completed with the Employer and if the Employee had been employed by the lessee of such leased department at the time its business was directly assumed by the Employer. Also, any period of service of an Employee with the armed forces of the United States shall be credited as Eligibility Service and/or Vesting Service to the extent required by Federal law.

2.3 AFFILIATED EMPLOYMENT. Notwithstanding any other provision of the Plan to the contrary:

2.3.1 Any period of employment of a person with the Employer during which the person is not considered an Employee, any period of employment with an Affiliated Employer, and any period during which a person is a Leased Employee shall in any such case, regardless of whether occurring prior to or after employment as an Employee of the Employer, be considered in the same manner as employment as an Employee of the Employer for purposes of crediting years of Eligibility Service and Vesting Service under this Plan to such person, determining if such person has incurred a Break-in-Service, and determining if and when such person has a vested right to a benefit under the Plan.

2.3.2 Further, a transfer of status from that of being an Employee to other employment with the Employer or to any employment with an Affiliated Employer shall in any such case not be considered a termination of employment from the Employer for purposes of determining when a benefit of this Plan due a Participant, if any, is to be or begin to be distributed or whether the lump sum value of such benefit is low enough so that the form of such benefit is automatically to be paid in a lump sum form; rather, such termination of employment and the time at which the lump sum value of the benefit is determined for purposes of seeing if the Participant's benefit is automatically to be paid in a lump sum form shall be deemed to occur only upon the Participant's later termination of employment from the group composed of the Employer and all Affiliated Employers.

2.3.3 In addition, any person who during any Plan Year is an employee of the Employer other than as an Employee, is an employee of an Affiliated Employer, or is a Leased

Employee shall be considered an Employee, and any compensation received in any such capacity during such Plan Year shall (if determined under the same principles as are set forth at Section 1.7 above) be considered as Compensation, for purposes of determining the persons who are the Highly Compensated Employees for any Plan Year.

2.3.4 Also, any compensation received during a period by a person in the capacity of being an employee of the Employer other than as an Employee, an employee of an Affiliated Employer, or a Leased Employee shall (if determined under the same principles as are set forth at Section 1.7 above or,

if another definition of compensation is used under any of the below-named Plan Sections, in accordance with such definition when being considered under such Plan Section) be considered as Compensation of his or hers for such period for purposes of Section 4A below (which provides Average Actual Deferral Percentage Limits), Section 5A below (which provides Average Actual Contribution Percentage limits), Section 6A below (which provides maximum annual addition limits), and Section 14 below (which provides top heavy plan rules).

2.3.5 Finally, except as is otherwise expressly provided in this Plan or by Federated pursuant to express authorization provided in this Plan (including but not limited to Sections 4A, 5A, 6A, and 14 below), any period of employment of a person by the Employer during which the person is not considered an Employee, any period of employment with an Affiliated Employer, and any period during which a person is a Leased Employee, and any compensation or remuneration received during any such period, shall not be used in any manner in calculating the amount of any benefit or contributions to which the person is entitled under this Plan.

SECTION 3

ELIGIBILITY AND PARTICIPATION

3.1 ELIGIBILITY FOR PARTICIPATION. Persons shall remain or become Participants in the Plan only in accordance with the following provisions:

3.1.1 Any person who was a Participant in the Plan on the date immediately preceding the Effective Amendment Date shall continue to be a Participant in this Plan as of the Effective Amendment Date, unless he or she is no longer an Employee as of the Effective Amendment Date.

3.1.2 Further, each other person who, as of any Entry Date which occurs on or after the Effective Amendment Date, (1) has completed at least one year of Eligibility Service, (2) has attained at least age 21, and (3) is an Employee shall become a Participant as of such Entry Date. Notwithstanding the foregoing, if a person would become a Participant as of any Entry Date under the foregoing provisions of this Section 3.1.2 but for the fact he or she is not an Employee, and he or she subsequently becomes an Employee, such Employee shall be deemed a Participant in the Plan on the date he or she so subsequently becomes an Employee.

3.2 ENTRY DATE. For purposes of the Plan and Section 3.1 above in particular, an "Entry Date" means the first day of any calendar month.

3.3 DURATION OF PARTICIPATION.

3.3.1 Each Participant in the Plan shall continue to be a Participant until he or she is no longer entitled to receive Compensation and the entire balance in his or her Accounts under the Plan has been distributed or forfeited hereunder.

3.3.2 However, notwithstanding the foregoing, a Participant shall be eligible to enter into or continue a Savings Agreement to the extent allowed under Section 4 below only while he or she is considered an active Participant. For this purpose and all other purposes of the Plan (and in particular for purposes of Sections 3.4 and 4 below), a person is an "active Participant" for any period only if both he or she is a Participant during such period and the person is entitled to receive Compensation for such period.

3.4 REINSTATEMENT OF PARTICIPATION. Any person who ceases to be an

active Participant, but who is thereafter reemployed as an Employee by the Employer, shall be reinstated as an active Participant as of the date on which he or she next completes an Hour of Service on or after such reemployment.

SECTION 4

SAVINGS AND ROLLOVER CONTRIBUTIONS

4.1 EFFECTIVE DATE OF SAVINGS AGREEMENT.

4.1.1 Any person who continues as an active Participant in the Plan as of the Effective Amendment Date pursuant to Section 3.1.1 above and who has a Savings Agreement in effect as of the date immediately preceding the Effective Amendment Date shall continue to have such agreement apply on and after the Effective Amendment Date, until and unless he or she amends or suspends such Savings Agreement under the provisions of Section 4.2 below.

4.1.2 In addition, any person who becomes an active Participant in the Plan on or after the Effective Amendment Date pursuant to Section 3.1.2 above may have a Savings Agreement take effect as of the later of the date he or she first becomes a Participant or the first pay day which occurs after his or her Savings Agreement is filed with a Plan representative and by which the Committee can reasonably put such agreement into effect.

4.1.3 Also, any person who is reinstated as an active Participant pursuant to Section 3.4 above may have a new Savings Agreement take effect as of the later of the date he or she is reinstated as an active Participant or the first pay day which occurs after his or her new Savings Agreement is filed with a Plan representative and by which the Committee can reasonably put such agreement into effect.

4.1.4 Any Savings Agreement of an active Participant which becomes effective under the foregoing provisions of this Section 4.1 shall not be effective after the active Participant ceases to be an active Participant, except with respect to Compensation paid for a prior period when he or she was an active Participant.

4.2 AMENDMENT AND SUSPENSION OF SAVINGS AGREEMENT.

4.2.1 An active Participant may change or suspend his or her then effective Savings Agreement in any manner (E.G., by amending the percent of future Compensation subject to such agreement, changing the portion of his or her Savings Contributions which are to be made on a pre-tax basis and/or an after-tax basis, or suspending altogether his or her Savings Contributions) as of the first pay day which occurs after an amended Savings Agreement or another Plan form which reflects such change or suspension is filed with a Plan representative and by which the Committee can reasonably put such amended agreement or form into effect.

4.2.2 If an active Participant suspends his or her entire Savings Agreement under the provisions of Section 4.2.1 above during a Plan Year, he or she may enter into a new Savings Agreement as of the first pay day which occurs after his or her new Savings Agreement is filed with a Plan representative and by which the Committee can reasonably put such new

agreement into effect, provided that he or she is not then prohibited from

entering into a Savings Agreement by reason of a hardship withdrawal he or she has taken under this Plan (pursuant to Section 7.4 below) or any other plan maintained by the Employer or an Affiliated Employer.

4.3 SAVINGS CONTRIBUTIONS. Subject to the other provisions of the Plan, the Employer shall contribute to the Trust, on behalf of each active Participant who has a Savings Agreement in effect, those contributions called for under such Savings Agreement. Such contributions are described in this Plan as "Savings Contributions." Savings Contributions applicable to any Participant shall be remitted by the Employer to the Trust, and allocated to the Participant's Accounts, as soon as administratively practical. For purposes of allocating Matching Contributions under the subsequent provisions of the Plan, any Savings Contributions shall be deemed to be made for the pay day to which such contributions relate and for the Plan Year during which such pay day occurs. Savings Contributions shall be made in cash and shall not be dependent on net or accumulated profits of the Employer.

4.4 PRE- AND AFTER-TAX NATURE OF SAVINGS CONTRIBUTIONS.

4.4.1 Any active Participant who enters into a Savings Agreement or amended Savings Agreement under the Plan shall specify in such agreement the portion of the Savings Contributions resulting from such agreement which shall be considered under this Plan as "Pre-Tax Savings Contributions" and the portion of such Savings Contributions which shall be considered "After-Tax Savings Contributions." (The Committee may, in order to make it easier for the Plan to meet the limits set forth in Sections 4A and 5A below, restrict the maximum amount of the Savings Contributions applicable to an active Participant who is then believed to be a Highly Compensated Employee which may be specified by the Participant as Pre-Tax Savings Contributions, as After-Tax Savings Contributions, or as Pre-Tax and After-Tax Savings Contributions in the aggregate for any period to some percent of his or her Compensation for such period which is less than the maximum percent of Compensation he or she is otherwise permitted to elect to have contributed as Savings Contributions on his or her behalf for such period.)

4.4.2 For purposes of the Plan, any Savings Contributions applicable to an active Participant which are designated by the Participant as Pre-Tax Savings Contributions shall be contributed to the Plan prior to the Participant being deemed in receipt of such amounts for Federal income tax purposes and shall thereby be considered to have been contributed on a "pre-tax" basis.

4.4.3 Further, for purposes of the Plan, any Savings Contributions applicable to an active Participant which are designated by the Participant as After-Tax Savings Contributions shall be contributed to the Plan after the Participant is deemed in receipt of such amounts for Federal income tax purposes and shall thereby be considered to have been contributed on an "after-tax" basis.

4.5 SAVINGS CONTRIBUTIONS ELIGIBLE FOR MATCH. For purposes of determining the extent to which the Employer shall make Matching Contributions under Section 5 below, certain Savings Contributions made on behalf of an active Participant for any Plan Year are deemed to be "Basic Savings Contributions" which are used to help determine the amount of Matching Contributions for such Plan Year, and certain of such Savings Contributions are deemed to be "Additional Savings Contributions" which are not used to determine the amount of Matching Contributions for such Plan Year. For this purpose, the portion of the Savings Contributions made on behalf of an active Participant for any Plan Year are deemed to be Basic Savings Contributions or Additional Savings Contributions in accordance with the following rules:

4.5.1 Any such Savings Contributions which are made for a pay day which occurs on or after the Effective Amendment Date and designated by the Participant as Pre-Tax Savings Contributions shall be deemed to be Basic Savings Contributions for the Plan Year in which such pay day occurs to the extent they do not exceed 5% of the Participant's Compensation for such pay day and shall be deemed to be Additional Savings Contributions for the Plan Year in which such pay day occurs to the extent they do exceed 5% of the Participant's Compensation for such pay day.

4.5.2 Any such Savings Contributions which are made for a pay day which occurs on or after the Effective Amendment Date and designated by the Participant as After-Tax Savings Contributions shall be deemed to be Additional Savings Contributions.

4.5.3 In addition, any savings contributions made on behalf of the Participant with respect to any pay day which occurs on or after January 1, 1997 and prior to the Effective Amendment Date shall be deemed to be Basic Savings Contributions for the Plan Year which ends December 31, 1997 to the extent such contributions would have been used to determine matching contributions for such Plan Year under the Prior Plan in which the Participant was participating on such pay day (if such Prior Plan had continued in effect) and shall be deemed to be Additional Savings Contributions for the Plan Year which ends December 31, 1997 to the extent they would not have been used to determine matching contributions for such Plan Year under such Prior Plan.

4.6 ROLLOVER CONTRIBUTIONS. An Employee may, whether or not he or she is yet a Participant in the Plan under the provisions of Section 3 above, cause any distribution applicable to him or her from another plan which he or she certifies is an eligible rollover distribution (within the meaning of Section 402(c) of the Code) to be paid directly from such other plan to this Plan pursuant to the terms of Section 401(a)(31) of the Code, provided that the Committee receives a written notice from the plan administrator of such other plan that the other plan has received a determination letter from the Internal Revenue Service concluding that the other plan is qualified as a tax-favored plan under Section 401(a) of the Code and provided that the Committee has no information which shows that such payment is other than an eligible rollover contribution under Section 402(c) of the Code. Any such payment to the Plan shall be referred to as a "Rollover Contribution" under the Plan. If an Employee makes a Rollover Contribution to the Plan but is not a Participant in the Plan under the provisions of Section 3 above, he or she

shall still be considered a Participant under the other provisions of the Plan to the extent such other provisions concern the establishment of an Account to reflect such contribution, the investment, crediting of Plan earnings and losses, loaning, withdrawing, and distribution of such Account, and the administration of the Plan with respect to such Account, but he or she shall not be considered a Participant for any other purposes of the Plan until he or she qualifies as a Participant under the provisions of Section 3 above.

4.7 MISTAKE OF FACT.

4.7.1 Any After-Tax Savings Contributions contributed to the Plan for a Participant which has been made in an amount in excess of the amount of the After-Tax Savings Contributions elected by the Participant or which have been taken from Compensation of the Participant paid when he or she was not a Participant in the Plan may be paid by the Trustee to the Participant (unless repayment is not administratively possible) as a correction of the mistake which led it to be contributed to the Plan, upon the receipt by the Trustee of a written notice of a Plan representative describing such mistake and requesting the payment of such contribution to the Participant. Plan income attributable to such contributions shall not be paid to the Participant in connection with such payment, and Plan losses attributable to such contributions shall not reduce the amount which is otherwise to be paid. (The Employer in its discretion may pay to the Participant an additional amount, determined in any manner the Employer chooses, to reflect interest which may have been earned by the Participant had the returned Savings Contributions never been made to the Plan, but any such payment shall only be made outside the Plan and shall not be paid by the Plan itself.)

4.7.2 Any other Savings Contributions made upon the basis of a mistaken factual assumption shall be repaid by the Trustee to the Employer (unless repayment is not administratively possible) as a correction of such mistaken factual assumption, upon the receipt by the Trustee within one year from the date of such contribution of a written notice of the Employer describing such mistaken factual assumption and requesting the return of such contributions. Plan income attributable to such contributions shall not be paid to the Employer, but Plan losses attributable to such contributions shall reduce

the amount which is otherwise to be paid.

4.7.3 Any Rollover Contribution of a Participant which the Committee later determines was not an eligible rollover contribution under Section 402(c) of the Code shall be distributed (after being adjusted by Plan income and losses which the Committee reasonably determines were attributable to such contribution) to the Participant within a reasonable administrative period after the Committee makes such determination.

SECTION 4A

AVERAGE ACTUAL DEFERRAL PERCENTAGE RESTRICTIONS

4A.1 AVERAGE ACTUAL DEFERRAL PERCENTAGE LIMITS. The Average Actual Deferral Percentage of the Highly Compensated Employees for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 4A.1, the "subject Plan Year") must satisfy one of the following limits:

4A.1.1 LIMITATION 1: The Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25; or

4A.1.2 LIMITATION 2: The Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year both may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 2.0 and may not exceed the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year by more than two percentage points.

Notwithstanding the foregoing, for any subject Plan Year which begins on or after January 1, 1998, the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentage for such subject Plan Year, in determining whether the above limitations are met for such subject Plan Year.

4A.2 SPECIAL RULES FOR AVERAGE ACTUAL DEFERRAL PERCENTAGE LIMITS. For purposes of the limits set forth in Section 4A.1 above, the following special rules apply:

4A.2.1 If, with respect to any Plan Year (for purposes of this Section 4A.2.1, the "subject Plan Year"), an Eligible Participant who is a Highly Compensated Employee for the subject Plan Year is or was eligible to participate in a cash or deferred arrangement, which qualifies under Section 401(k) of the Code and is contained in an aggregatable plan, during at least a part of such aggregatable plan's plan year which ends in the same calendar year in which the subject Plan Year ends (for purposes of this Section 4A.2.1, the "aggregatable plan's subject plan year"), then, for the purpose of determining the Actual Deferral Percentage of the Eligible Participant for the subject Plan Year under this Plan, any contributions made to such aggregatable plan for the aggregatable plan's subject plan year which would be treated as Pre-Tax Savings Contributions of the Eligible Participant for the subject Plan Year had they been allowed and made under this Plan for the subject Plan Year shall be treated as if they were Pre-Tax Savings Contributions of the Eligible Participant under this Plan for the subject Plan Year. For purposes hereof, an "aggregatable plan" is a plan other than this Plan which is qualified under Section 401(a) of the Code, is maintained by the Employer or an

Affiliated Employer, and is not prohibited from being aggregated with this Plan for purposes of Section 410(b) of the Code under Treas. Reg. Section 1.410(b)-7.

4A.2.2 For purposes of determining if the Average Actual Deferral Percentage limit of Section 4A.1 above is met for any Plan Year (for purposes of this Section 4A.2.2, the "subject Plan Year"), the Plan may treat any Matching Contributions (as provided for in Section 5.1 below) which are made on behalf of an Eligible Participant who is a Non-Highly Compensated Employee for the subject Plan Year or the immediately preceding Plan Year (whichever of such Plan Years is used to determine such percentage for purposes of the limits of Section 4A.1 which apply to the subject Plan Year) as being Pre-Tax Savings Contributions of such Eligible Participant for such Plan Year to the extent the treatment of such Matching Contributions as Savings Contributions is helpful in meeting the limits of Section 4A.1 above for the subject Plan Year, provided that the Eligible Participant has been fully vested at all times in the portion of his or her Accounts which is attributable to such Matching Contributions and also provided that the limits of Section 5A.1 below are still met for such Plan Year even if the Matching Contributions being treated as Savings Contributions hereunder are disregarded for purposes of meeting such limit.

4A.2.3 To be counted in determining whether the Average Actual Deferral Percentage limits are met for any Plan Year, any Pre-Tax Savings Contributions must be paid to the Trust before the end of the Plan Year which next follows the Plan Year to which such contributions relate.

4A.2.4 For purposes of this Section 4A, Pre-Tax Savings Contributions are treated as being "made on behalf of an Eligible Participant" for a Plan Year if such contributions relate to pay days of the Eligible Participant which occur during such Plan Year.

4A.2.5 For purposes of this Section 4A, the Prior Plans shall be considered as if they had been part of the "Plan" with respect to the Plan Year which ends December 31, 1997, persons who were participants in the Prior Plans between January 1, 1997 and the Effective Amendment Date shall be considered as Participants in this Plan for the Plan Year which ends December 31, 1997, and contributions which are made under such Prior Plans with respect to pay days occurring between January 1, 1997 and the Effective Amendment Date and which would be considered as Pre-Tax Savings Contributions for the Plan Year which ends December 31, 1997 if they had been made under this Plan shall be treated as Pre-Tax Savings Contributions under this Plan for the Plan Year which ends December 31, 1997.

4A.3 DISTRIBUTION OR RECHARACTERIZATION OF EXCESS CONTRIBUTIONS. Subject to the provisions of this Section 4A.3 but notwithstanding any other provision of the Plan to the contrary, any Excess Contributions applicable to any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 4A.3, the "subject Plan Year") shall be distributed during (but no later than the last day of) the immediately following Plan Year to Eligible Participants who were Highly Compensated Employees for the subject Plan Year. (Such Excess Contributions, even if distributed, shall still be treated as part of the Annual Addition,

as defined in Section 6A below, for the subject Plan Year.) The following provisions apply to this distribution requirement:

4A.3.1(a) For purposes of the Plan, "Excess Contributions" for any subject Plan Year means the amount (if any) by which the aggregate sum of Pre-Tax Savings Contributions paid to the Trust for such Plan Year on behalf of Eligible Participants who are Highly Compensated Employees for such Plan Year exceeds the maximum amount of such Pre-Tax Savings Contributions which could have been made and still have satisfied one of the limitations set forth in Section 4A.1 above. The Excess Contributions for any subject Plan Year shall be determined, and applied to Eligible Participants who are Highly Compensated Employees for the subject Plan Year for distribution purposes, in accordance with the methods described in paragraphs (b) and (c) below.

(b) The total amount of Excess Contributions for any subject Plan Year shall be deemed to be the sum of the Excess Contributions which are determined to apply to each Eligible Participant who is a Highly

Compensated Employee for the subject Plan Year under the leveling method which is described in this paragraph (b). Under this leveling method, the Actual Deferral Percentage of the Highly Compensated Employee(s) with the highest Actual Deferral Percentage for the subject Plan Year is reduced to the extent required to enable one of the applicable limitations set forth in Section 4A.1 above to be satisfied for the subject Plan Year or to cause such Actual Deferral Percentage to equal the Actual Deferral Percentage of the Highly Compensated Employee(s) with the next highest Actual Deferral Percentage for the subject Plan Year, whichever comes first. This process is repeated as necessary until one of the applicable limitations set forth in Section 4A.1 above is satisfied for the subject Plan Year. For each Highly Compensated Employee, his or her amount of Excess Contributions for the subject Plan Year under this leveling method is equal to: (1) the total of the Pre-Tax Savings Contributions paid to the Trust for the subject Plan Year on his or her behalf (determined before the application of this leveling method), less (2) the amount determined by multiplying the Highly Compensated Employee's Actual Deferral Percentage for the subject Plan Year (determined after the application of this leveling method) by his or her Compensation for the subject Plan Year. In no event shall the Excess Contributions which are determined to apply to a Highly Compensated Employee for the subject Plan Year under this leveling method exceed the total of the Pre-Tax Savings Contributions paid to the Trust on his or her behalf for the subject Plan Year (determined before application of this leveling method). However, the leveling method described in this paragraph (b) is used only to determine the total sum of Excess Contributions for the subject Plan Year and is not used to determine the portion of such total sum of Excess Contributions which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year; instead, the method for determining the portion of such Excess Contributions which will be distributed to each such Highly Compensated Employee is described in paragraph (c) below.

(c) The portion of the total sum of Excess Contributions for any subject Plan Year which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year shall be determined under the dollar amount reduction

method described in this paragraph (c). Under this dollar amount reduction method, the dollar amount of the Pre-Tax Savings Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the highest dollar amount of Pre-Tax Savings Contributions for the subject Plan Year is reduced to the extent required to equal the dollar amount of the Pre-Tax Savings Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the next highest dollar amount of Pre-Tax Savings Contributions for the subject Plan Year or to cause the total dollar amount of the reductions in Pre-Tax Savings Contributions for the subject Plan Year under this dollar amount reduction method to equal the total sum of the Excess Contributions for the subject Plan Year (as determined under paragraph (b) above), whichever comes first. This process is repeated as necessary until the total dollar amount of the reductions in Pre-Tax Savings Contributions for the subject Plan Year equals the total sum of the Excess Contributions for the subject Plan Year (as determined under paragraph (b) above). For each Highly Compensated Employee, his or her portion of the total amount of the Excess Contributions for the subject Plan Year which will be distributed to him or her is equal to the total dollar amount of the reductions made in his or her Pre-Tax Savings Contributions for the subject Plan Year under this dollar amount reduction method.

4A.3.2 (a) The distribution of any portion of the Excess Contributions for a subject Plan Year to an Eligible Participant under the provisions of this Section 4A.3 shall be adjusted upward for the Trust's income allocable thereto (or downward for the Trust's loss allocable thereto), as determined under paragraph (b) below.

(b) For purposes hereof, the Trust's income (or loss) allocable to any Excess Contributions applicable to a subject Plan Year and applied to an Eligible Participant for distribution purposes shall be equal to the product obtained by multiplying (1) the net income (or net loss) for the subject Plan Year and for the gap period of the Investment Fund or Funds in which the Eligible Participant's Savings Contributions were invested which is allocable under Section 6.7 below to the portion of the Participant's Savings Account attributable to Pre-Tax Savings Contributions by (2) a fraction, the

numerator of which is the amount of the Excess Contributions otherwise being distributed to the Eligible Participant and the denominator of which is the total balance as of the first day of the subject Plan Year of the portion of the Eligible Participant's Savings Account attributable to Pre-Tax Savings Contributions plus the Pre-Tax Savings Contributions allocated to that portion of his or her Savings Account for the subject Plan Year and for the gap period. For purposes hereof, the "gap period" refers to the period from the end of the subject Plan Year through the last date for which investment returns of the applicable Investment Fund or Funds have been completed and the results of which are reasonably available to the Committee prior to the date the Excess Contributions are being distributed.

(c) If any Excess Contributions applicable to an Eligible Participant and for a subject Plan Year are distributed to the Eligible Participant under the provisions of this Section 4A.3, then, pursuant to Section 411(a)(3)(G) of the Code and Treas. Reg. Section 1.411(a)-4(b)(7), any Matching Contributions which are allocated to the Eligible Participant's

Matching Account for such Plan Year by reason of such Excess Contributions (and not yet distributed or forfeited under the Plan by the date the Excess Contributions are distributed) shall, together with the Trust's income allocable thereto (or less the Trust's loss allocable thereto), be forfeited as of the day such Excess Contributions are distributed to the Eligible Participant (and such forfeited amounts shall be reallocated to Accounts of Participants in accordance with later provisions of the Plan). For these purposes, the Trust's income (or loss) allocable to any such forfeited Matching Contributions shall be equal to the product obtained by multiplying (1) the total net income (or total net loss) for the subject Plan Year and for the gap period of the Investment Fund or Funds in which the Eligible Participant's Matching Contributions were invested which is allocable under Section 6.7 below to the portion of the Eligible Participant's Matching Account attributable to Matching Contributions by (2) a fraction, the numerator of which is the Matching Contributions being forfeited under this paragraph (c) and the denominator of which is the total balance as of the first day of the subject Plan Year of the portion of the Eligible Participant's Matching Account attributable to Matching Contributions plus the Matching Contributions and forfeitures allocated to his or her Matching Account for the subject Plan Year and for the gap period. For purposes hereof, the "gap period" refers to the period from the end of the subject Plan Year through the last date for which investment returns of the applicable Investment Fund or Funds have been completed and the results of which are reasonably available to the Committee prior to the date the Matching Contributions are being forfeited hereunder.

(d) If the entire balance of the portion of an Eligible Participant's Savings Account which is attributable to Pre-Tax Savings Contributions is distributed to the Eligible Participant during a subject Plan Year (and no balance remains in that portion of his or her Savings Account at the end of such Plan Year), then such distribution shall be deemed for all purposes of this Plan as a distribution under this Section 4A.3.2 of the Excess Contributions applicable for distributions purposes to the Eligible Participant for the subject Plan Year (and Trust income or loss allocable thereto) to the extent Excess Contributions (and allocable Trust income or losses) would otherwise have been required to be distributed to the Eligible Participant under this Section 4A.3.

4A.3.3 Notwithstanding any other provision of the Plan to the contrary, the limitations set forth in Section 4A.1 above shall be deemed met for any subject Plan Year if the Excess Contributions for such Plan Year are distributed in accordance with and to the extent required by the foregoing provisions of this Section 4A.3.

4A.3.4 If any Excess Contributions applicable to a subject Plan Year are not distributed to the appropriate Eligible Participants within 2-1/2 months after the last day of the subject Plan Year, an excise tax shall be imposed under Code Section 4979 on the Employer in an amount generally equal to 10% of such Excess Contributions (unadjusted for income or loss allocable thereto).

4A.4 DEFINITIONS FOR AVERAGE ACTUAL DEFERRAL PERCENTAGE LIMITS. For

purposes of the limits set forth in this Section 4A, the following definitions shall apply:

4A.4.1 "Average Actual Deferral Percentage" for any Plan Year means: (1) with respect to the Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Deferral Percentages of the Eligible Participants who are Highly Compensated Employees for such Plan Year; and (2) with respect to the Non-Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Deferral Percentages of the Eligible Participants who are Non-Highly Compensated Employees for such Plan Year.

4A.4.2 "Actual Deferral Percentage" for any Plan Year means, with respect to any person who is an Eligible Participant for such Plan Year, the ratio (expressed as a percentage to the nearest one-hundredth of a percent) of the Pre-Tax Savings Contributions made on behalf of the Eligible Participant for such Plan Year to the Compensation of the Eligible Participant for the entire Plan Year (regardless of whether he or she is a Participant for the entire Plan Year or for only part but not all of such Plan Year). The Actual Deferral Percentage of a person who is an Eligible Participant for such Plan Year but who does not have any Pre-Tax Savings Contributions made on his or her behalf for such Plan Year is 0%.

4A.4.3 "Eligible Participant" means, for any Plan Year, each person who is both a Participant under the Plan and an Employee during at least part of such Plan Year.

4A.5 DISAGGREGATING PORTIONS OF PLAN. The provisions of Sections 4A.1 through 4A.4 above shall be applied separately for the portion of this Plan which covers Participants who are not collectively bargained employees and the portion of the Plan which covers Participants who are collectively bargained employees and as if each such portion were a separate plan. For purposes hereof, a "collectively bargained employee" is an Employee who is included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer.

SECTION 5

MATCHING CONTRIBUTIONS

5.1 ANNUAL AMOUNT OF MATCHING CONTRIBUTIONS. For each Plan Year which ends after the Effective Amendment Date, the Employer shall contribute amounts to the Trust in addition to the Savings Contributions elected by Participants for such Plan Year. Such additional contributions shall be referred to in the Plan as "Matching Contributions." Subject to the other provisions of the Plan, the amount of Matching Contributions which shall be made by the Employer for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5.1, the "subject Plan Year") shall be the amount determined under the following provisions of this Section 5:

5.1.1 Subject to the provisions of Sections 5.1.2 and 5.1.3 below, the amount of Matching Contributions which shall be made by the Employer for the subject Plan Year shall be the lesser of the amounts set forth in paragraphs (a) and (b) below:

(a) An amount equal to 100% of the aggregate Basic Savings Contributions which are made for the subject Plan Year to the Plan on behalf of those Participants who are employed by the Employer on the last day of the subject Plan Year and who did not make any withdrawal during the subject Plan Year from the portion of their Accounts which reflect Basic Savings Contributions; or

(b) An amount equal to 3.5% of the Employer's Net Income, as determined for the tax year of the Employer which begins in the subject Plan Year, before deduction of any Matching Contributions to this Plan and only after excluding the amount of any extraordinary items, by the Federated's chief accounting officer in accordance with the standard accounting procedures of Federated and as so categorized in the financial statements of the Employer.

5.1.2 In addition to the amount determined under Section 5.1.1 above, the Employer shall, subject to the provisions of Section 5.1.3 below, also make a further amount of Matching Contributions for the subject Plan Year to the extent necessary so that each Participant who is employed by the Employer on the last day of the subject Plan Year and who did not make any withdrawal during the subject Plan Year from the portion of his or her Accounts which reflect his or her Basic Savings Contributions is allocated under Section 6.2 below a total amount of Matching Contributions (after taking into account his or her share of the Matching Contributions made pursuant to Section 5.1.1 above) which is equal to 33-1/3% of the Basic Savings Contributions made by or for him or her for the subject Plan Year.

5.1.3 To the extent permitted by Section 8.6 below, any forfeitures arising during the subject Plan Year shall be used to reduce and be substituted in place of those Matching Contributions otherwise required under Sections 5.1.1 and 5.1.2 above for the subject

Plan Year which exceed the amount of Matching Contributions which would be made for the subject Plan Year if such amount were limited to the amount described in paragraph (b) of Section 5.1.1 above. For purposes of Section 6.2 below, which concerns the allocation of Matching Contributions, any forfeitures (or other amounts) which are used to reduce and substitute for any amount of Matching Contributions for the subject Plan Year shall be considered as if they were Matching Contributions for the subject Plan Year.

5.2 TIME AND FORM OF MATCHING CONTRIBUTIONS.

5.2.1 Subject to the provisions of Section 5.2.2 below, the Matching Contributions for any Plan Year may be paid in one or more installments, but the total amount to be contributed must be paid to the Trust on or before the last date permitted by applicable law for deduction of such contributions for the tax year of the Employer in which such Plan Year ends. Any such Matching Contributions shall be allocated among Participants' Accounts as of the last day of the Plan Year for which such contributions are made or as soon as administratively practical after such contributions are paid to the Trust, whichever is later.

5.2.2 The actual amount paid as Matching Contributions for any Plan Year may initially, to the extent determined with respect to the amount set forth in Section 5.1.1(b) above, be based upon the Federated's Net Income as estimated by Federated's chief accounting officer in accordance with data available to him or her at the time the estimate is made. In the event that, after Federated's chief accounting officer subsequently determines the final calculation of the amount set forth in Section 5.1.1(b) above, an additional amount is required to be contributed to the Plan by the Employer to meet the required Matching Contribution provisions of Section 5.1 above, then the Employer will make such additional contribution as soon as possible after such final calculation is completed. In the event that the final calculation of the amount set forth in Section 5.1.1(b) above shows that the Employer made Matching Contributions for the subject Plan Year in excess of the amount required under Section 5.1 above, the amount by which the actual amount of Matching Contributions which were made exceeds the required Matching Contributions for such Plan Year shall be deemed not to have been made for such Plan Year but instead shall be deemed made in the next following Plan Year and shall be used as soon as possible to reduce (and to substitute for) the next required Matching Contributions to be made to the Plan.

5.2.3 The Matching Contributions made for any Plan Year shall be made in cash or, in the discretion of the Employer, in common stock of Federated.

5.3 MISTAKE OF FACT. Any Matching Contributions made upon the basis of

a mistaken factual assumption shall be repaid by the Plan to the Employer (unless repayment is not administratively possible) as a correction of such mistaken factual assumption, upon the receipt by the Trustee within one year from the date of such contributions of a written notice of the Employer describing such mistaken factual assumption and requesting the return of such contributions. Plan income attributable to such contributions may not be paid to the Employer,

but Plan losses attributable to such contributions shall reduce the amount which is otherwise to be paid.

SECTION 5A

AVERAGE ACTUAL CONTRIBUTION PERCENTAGE RESTRICTIONS

5A.1 AVERAGE ACTUAL CONTRIBUTION PERCENTAGE LIMITS.

5A.1.1 The Average Actual Contribution Percentage for Highly Compensated Employees for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5A.1, the "subject Plan Year") must satisfy one of the following limits:

(a) LIMITATION 1: The Average Actual Contribution Percentage of the Highly Compensated Employees for the subject Plan Year may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25; or

(b) LIMITATION 2: The Average Actual Contribution Percentage of the Highly Compensated Employees for the subject Plan Year both may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 2.0 and may not exceed the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year by more than two percentage points.

Notwithstanding the foregoing, for any subject Plan Year which begins on or after January 1, 1998, the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentage for such subject Plan Year, in determining whether the above limitations are met for such subject Plan Year.

5A.1.2 In addition, the Average Actual Contribution Percentage of the Highly Compensated Employees for any subject Plan Year may not, when added to the Average Actual Deferral Percentage of the Highly Compensated Employees for the same Plan Year, exceed the Aggregate Limit. For purposes of the limitation set forth in this Section 5A.1.2, such Average Actual Deferral Percentage and Average Actual Contribution Percentage shall be determined as if all Excess Contributions attributable to the limits set forth in Section 4A.1 above had previously been determined and distributed and as if all Excess Aggregate Contributions attributable to the limits set forth in Section 5A.1.1 above had previously been determined and distributed or forfeited (and hence as if such Average Actual Deferral Percentage and Average Actual Contribution Percentage had been calculated without considering the contributions reflected in such Excess Contributions and Excess Aggregate Contributions, respectively). Also, notwithstanding the foregoing, the limitation set forth in this Section 5A.1.2 shall automatically be deemed met for a subject Plan Year if either the Average Actual Deferral Percentage of the Highly Compensated Employees for the subject Plan Year is not in excess of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25 or the Average Actual Contribution Percentage of the Highly Compensated Employees for the

subject Plan Year is not in excess of the Average Actual Contribution Percentage

of the Non-Highly Compensated Employees for the subject Plan Year multiplied by 1.25. Notwithstanding the foregoing, for any subject Plan Year which begins on or after January 1, 1998, the Average Actual Deferral Percentage and the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentages for such subject Plan Year, in determining whether the conditions set forth in the immediately preceding sentence are met for such subject Plan Year.

5A.1.3 As is provided in Section 5A.3 below, the Plan shall correct any violation of the limitations of either Section 5A.1.1 above or Section 5A.1.2 above for any subject Plan Year by reducing (in the manner set forth in Section 5A.3 below) the Average Actual Contribution Percentage of the Highly Compensated Employees for such subject Plan Year.

5A.2 SPECIAL RULES FOR AVERAGE ACTUAL CONTRIBUTION PERCENTAGE LIMITS. For purposes of the limits set forth in Section 5A.1 above, the following special rules apply:

5A.2.1 If, with respect to any Plan Year (for purposes of this Section 5A.2.1, the "subject Plan Year"), an Eligible Participant who is a Highly Compensated Employee for the subject Plan Year is or was eligible to participate in an aggregatable plan, of which a part is subject to the provisions of Section 401(m) of the Code, during at least a part of such aggregatable plan's plan year which ends in the same calendar year in which the subject Plan Year ends (for purposes of this Section 5A.2.1, the "aggregatable plan's subject plan year"), then, for the purpose of determining the Actual Contribution Percentage of the Eligible Participant for the subject Plan Year under this Plan, any contributions made to such aggregatable plan for the aggregatable plan's subject plan year which would be treated as After-Tax Savings Contributions or Matching Contributions of the Eligible Participant for the subject Plan Year had they been allowed and made under this Plan for the subject Plan Year shall be treated as if they were After-Tax Savings Contributions or Matching Contributions of the Eligible Participant under this Plan for the subject Plan Year. For purposes hereof, an "aggregatable plan" is a plan other than this Plan which is qualified under Section 401(a) of the Code, is maintained by the Employer or an Affiliated Employer, and is not prohibited from being aggregated with this Plan for purposes of Section 410(b) of the Code under Treas. Reg. Section 1.410(b)-7.

5A.2.2 For purposes of determining if the Average Actual Contribution Percentage limits of Section 5A.1 above are met for any Plan Year (for purposes of this Section 5A.2.2, the "subject Plan Year"), the Plan may treat any Pre-Tax Savings Contributions (as provided for in Section 4 above) which are made on behalf of an Eligible Participant who is treated as a Non-Highly Compensated Employee for purposes of determining the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the immediately preceding Plan Year (whichever of such Plan Years is used to determine such

percentage for purposes of the limits of Section 5A.1 which apply to the subject Plan Year) as being Matching Contributions of such Eligible Participant for such Plan Year to the extent the treatment of such Pre-Tax Savings Contributions as Matching Contributions is helpful in meeting the limits of Section 5A.1 above for the subject Plan Year, provided that the limits of Section 4A.1 above are still met for the subject Plan Year even if the Pre-Tax Savings Contributions being treated as Matching Contributions hereunder are disregarded for purposes of meeting such limits.

5A.2.3 To be counted in determining whether the Average Actual Contribution Percentage limits are met for any Plan Year, any Matching Contributions or After-Tax Savings Contributions must be paid to the Trust before the end of the Plan Year which next follows the Plan Year to which such contributions relate.

5A.2.4 Notwithstanding any other provisions herein to the contrary, any Matching Contributions which are forfeited under Section 4A.3.2(c) above by reason of relating to Excess Contributions which are distributed to an Eligible Participant shall not be taken into account in determining the Eligible Participant's Actual Contribution Percentage for any Plan Year or considered as

Matching Contributions for any other purpose under this Section 5A.

5A.2.5 For purposes of this Section 5A, Matching Contributions or After-Tax Savings Contributions are treated as being "made on behalf of an Eligible Participant" for a Plan Year if such contributions are allocated to an Account of the Eligible Participant by reason of Basic Savings Contributions which relate to pay days of the Eligible Participant which occur during such Plan Year.

5A.3 DISTRIBUTION OR FORFEITURE OF EXCESS AGGREGATE CONTRIBUTIONS. Subject to the provisions of this Section 5A.3 but notwithstanding any other provision of the Plan to the contrary, any Excess Aggregate Contributions applicable to any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 5A.3, the "subject Plan Year") shall be distributed no later than the last day of the immediately following Plan Year to Eligible Participants who were Highly Compensated Employees for the subject Plan Year or forfeited no later than as of the last day of such immediately following Plan Year, in accordance with the following provisions of this Section 5A. (Such Excess Aggregate Contributions shall still be treated as part of the Annual Addition, as defined in Section 6A below, for the subject Plan Year.) The following provisions apply to this distribution or forfeiture requirement:

5A.3.1(a) For purposes of the Plan, "Excess Aggregate Contributions" for any subject Plan Year means the amount (if any) by which the aggregate sum of Matching Contributions and After-Tax Savings Contributions paid to the Trust for such Plan Year on behalf of Eligible Participants who are Highly Compensated Employees for such Plan Year exceeds the maximum amount of such Matching Contributions and After-Tax Savings Contributions which could have been made and still have satisfied one of the limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above. The Excess Aggregate Contributions for any subject Plan Year shall be determined, and applied to Eligible

Participants who are Highly Compensated Employees for the subject Plan Year for distribution purposes, in accordance with the methods described in paragraphs (b) and (c) below.

(b) The total amount of Excess Aggregate Contributions for any Plan Year shall be deemed to be the sum of the Excess Aggregate Contributions which are determined to apply to each Eligible Participant who is a Highly Compensated Employee for the subject Plan Year under the leveling method which is described in this paragraph (b). Under this leveling method, the Actual Contribution Percentage of the Highly Compensated Employee(s) with the highest Actual Contribution Percentage for the subject Plan Year is reduced to the extent required to enable one of the applicable limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above to be satisfied for the subject Plan Year or to cause such Actual Contribution Percentage to equal the Actual Contribution Percentage of the Highly Compensated Employee(s) with the next highest Actual Contribution Percentage for the subject Plan Year, whichever comes first. This process is repeated as necessary until one of the applicable limitations set forth in Section 5A.1.1 above and the limitation set forth in Section 5A.1.2 above are satisfied for the subject Plan Year. For each Highly Compensated Employee, his or her amount of Excess Aggregate Contributions for the subject Plan Year under this leveling method is equal to: (1) the total of the After-Tax Savings Contributions and Matching Contributions paid to the Trust for the subject Plan Year on his or her behalf (determined before the application of this leveling method), less (2) the amount determined by multiplying the Highly Compensated Employee's Actual Contribution Percentage for the subject Plan Year (determined after the application of this leveling method) by his or her Compensation for the subject Plan Year. In no event shall the Excess Aggregate Contributions which is determined to apply to a Highly Compensated Employee for the subject Plan Year under this leveling method exceed the total of the After-Tax Savings Contributions and Matching Contributions paid to the Trust on his or her behalf for the subject Plan Year (determined before application of this leveling method). However, the leveling method described in this paragraph (b) is used only to determine the total sum of Excess Aggregate Contributions for the subject Plan Year and is not used to determine the portion of such total sum of Excess Aggregate Contributions which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year or

forfeited from such Highly Compensated Employee's Accounts; instead, the method for determining the portion of such Excess Aggregate Contributions which will be distributed to each such Highly Compensated Employee or forfeited from such Highly Compensated Employee's Accounts is described in paragraph (c) below.

(c) The portion of the total sum of Excess Aggregate Contributions for any subject Plan Year which will be distributed to any Eligible Participant who is a Highly Compensated Employee for the subject Plan Year or forfeited from such Highly Compensated Employee's Accounts shall be determined under the dollar amount reduction method described in this paragraph (c). Under this dollar amount reduction method, the dollar amount of the After-Tax Savings Contributions

and Matching Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the highest dollar amount of After-Tax Savings Contributions and Matching Contributions for the subject Plan Year is reduced to the extent required to equal the dollar amount of the After-Tax Savings Contributions and Matching Contributions made to the Trust for the subject Plan Year on behalf of the Highly Compensated Employee(s) with the next highest dollar amount of After-Tax Savings Contributions and Matching Contributions for the subject Plan Year or to cause the total dollar amount of the reductions in After-Tax Savings Contributions and Matching Contributions for the subject Plan Year under this dollar amount reduction method to equal the total sum of the Excess Aggregate Contributions for the subject Plan Year (as determined under the leveling method described in paragraph (b) above), whichever comes first. This process is repeated as necessary until the total dollar amount of the reductions in After-Tax Savings Contributions and Matching Contributions for the subject Plan Year equals the total sum of the Excess Aggregate Contributions for the subject Plan Year (as determined under the leveling method described in paragraph (b) above). For each Highly Compensated Employee, his or her portion of the total sum of the Excess Aggregate Contributions for the subject Plan Year which will be distributed to him or her or forfeited from his or her Accounts is equal to the total dollar sum of the reductions made in his or her After-Tax Savings Contributions and Matching Contributions for the subject Plan Year under this dollar amount reduction method.

5A.3.2 Excess Aggregate Contributions applicable to an Eligible Participant for any subject Plan Year under the dollar amount reduction method described in Section 5A.3.1(c) above shall be deemed composed of certain types of contributions made to the Plan on behalf of such Eligible Participant for the subject Plan Year and shall be, together with Trust income (or loss) allocable thereto in accordance with Section 5A.3.3 below, distributed or forfeited in the following order of steps:

(a) Step 1: First, such Excess Aggregate Contributions shall be deemed composed of After-Tax Savings Contributions which are treated as Additional Savings Contributions for the subject Plan Year. The Excess Aggregate Contributions described in this first step shall be distributed to the Eligible Participant;

(b) Step 2: Second, only to the extent still necessary after the above step, such Excess Aggregate Contributions shall be deemed composed of After-Tax Savings Contributions which are treated as Basic Savings Contributions for the subject Plan Year and the corresponding amount of Matching Contributions for such Plan Year which are made or allocated by reason of or with respect to such After-Tax Savings Contributions. The Excess Aggregate Contributions described in this second step which are deemed to be composed of After-Tax Savings Contributions shall be distributed to the Eligible Participant. The Excess Aggregate Contributions described in this second step which are deemed to be composed of Matching Contributions shall, pursuant to Section 411(a)(3)(G) of the Code and Treas. Reg. Section 1.411(d)-4(b)(7), be forfeited as of the day the other Excess Aggregate Contributions described in this second step are distributed to the Eligible Participant (and be reallocated to Accounts of other Participants in accordance with later provisions of the Plan). This second step shall not apply to any subject Plan Year which begins on or after January 1, 1998, however; and

(c) Step 3: Third, only to the extent still necessary after the above two steps, such Excess Aggregate Contributions shall be deemed

composed of Matching

Contributions for the subject Plan Year which were made or allocated by reason of or with respect to Pre-Tax Savings Contributions which are treated as Basic Savings Contributions for such Plan Year. A portion of the Excess Aggregate Contributions described in this third step, which portion is equal to the amount of such Excess Aggregate Contributions multiplied by the vested percentage which applies under this Plan to the portion of the Participant's Matching Account to which such Excess Aggregate Contributions would otherwise be allocated but for the provisions of this Section 5A, shall be distributed to the Eligible Participant. The remaining portion of the Excess Aggregate Contributions described in this third step shall be forfeited as of the day the Committee takes the steps outlined in this Section 5A.3.2.

5A.3.3(a) Any distribution or forfeiture of Excess Aggregate Contributions which apply to a subject Plan Year and to an Eligible Participant under the provisions of Sections 5A.3.1(c) and 5A.3.2 above shall be adjusted upward for the Trust's income allocable thereto (or downward for the Trust's loss allocable thereto), as determined under paragraph (b) below.

(b) For purposes hereof, the Trust's income (or loss) allocable to any portion of the Excess Aggregate Contributions applicable to a subject Plan Year and applied to an Eligible Participant for distribution or forfeiture purposes which is composed of a certain type of contribution (E.G., After-Tax Savings Contributions or Matching Contributions) shall be equal to the product obtained by multiplying (1) the net income (or net loss) for the subject Plan Year and for the gap period of the Investment Fund or Funds in which such type of contribution was invested which is allocable under Section 6.7 below to the portion of the Participant's Accounts attributable to such type of contribution by (2) a fraction, the numerator of which is the portion of the Excess Aggregate Contributions otherwise being distributed to the Eligible Participant or forfeited which is composed of such type of contribution and the denominator of which is the total balance as of the first day of the subject Plan Year of the portion of the Eligible Participant's Accounts attributable to such type of contribution plus the contributions and forfeitures allocated to such portion of the Eligible Participant's Accounts for the subject Plan Year and for the gap period. For purposes hereof, the "gap period" refers to the period from the end of the subject Plan Year through the last date for which investment returns for the applicable Investment Fund or Funds have been completed and the results of which are available to the Committee prior to the date the applicable Excess Aggregate Contributions are being distributed or forfeited.

5A.3.4 If the entire balance of the portion of an Eligible Participant's Accounts which is attributable to a certain type of contribution (E.G., After-Tax Savings Contributions or Matching Contributions) is distributed to the Eligible Participant or forfeited during a subject Plan Year (and no balance remains in that portion of his or her Accounts at the end of such Plan Year), then such distribution or forfeiture shall be deemed for all purposes of this Plan as a distribution or forfeiture under this Section 5A.3 of Excess Aggregate Contributions applicable to the Eligible Participant for the subject Plan Year (and Trust income or loss allocable thereto) to the extent Excess Aggregate Contributions composed of such type

of contribution (and allocable Trust income or losses) would otherwise have been required to be distributed to the Eligible Participant or forfeited under this Section 5A.3.

5A.3.5 Notwithstanding any other provision of the Plan to the contrary, the limitations set forth in Section 5A.1 above shall be deemed met for any Plan Year if the Excess Aggregate Contributions for such Plan Year are distributed or forfeited in accordance with the foregoing provisions of this Section 5A.3.

5A.3.6 If any Excess Aggregate Contributions are distributed to the appropriate Eligible Participants or forfeited more than 2-1/2 months after the last day of the subject Plan Year, an excise tax shall be imposed

under Code Section 4979 on the Employer in an amount generally equal to 10% of such Excess Aggregate Contributions (unadjusted for income or loss allocable thereto).

5A.4 DEFINITIONS FOR AVERAGE ACTUAL CONTRIBUTION PERCENTAGE LIMITS. For purposes of the limits set forth in this Section 5A, the following definitions shall apply:

5A.4.1 "Average Actual Contribution Percentage" for any Plan Year means: (1) with respect to the Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Contribution Percentages of the Eligible Participants who are Highly Compensated Employees for such Plan Year; and (2) with respect to the Non-Highly Compensated Employees, the average (to the nearest one-hundredth of a percent) of the Actual Contribution Percentages of the Eligible Participants who are Non-Highly Compensated Employees for such Plan Year.

5A.4.2 "Actual Contribution Percentage" for any Plan Year means, with respect to any person who is an Eligible Participant for such Plan Year, the ratio, expressed as a percentage to the nearest one-hundredth of a percent, of the Matching Contributions and After-Tax Savings Contributions made on behalf of the Eligible Participant for such Plan Year to the Compensation of the Eligible Participant for the entire Plan Year (regardless of whether he or she is a Participant for the entire Plan Year or for only part but not all of such Plan Year). The Actual Contribution Percentage of a person who is an Eligible Participant for such Plan Year but who does not have any Matching Contributions or After-Tax Savings Contributions made on his or her behalf for such Plan Year is 0%.

5A.4.3 The "Aggregate Limit" for any Plan Year (for purposes of this Section 5A.4.3, the "subject Plan Year") means the greater of the sums set forth in paragraphs (a) and (b) below:

(a) The sum of: (1) 125% of the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average

Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year; and (2) the lesser of (i) 200% of the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year or (ii) 2% plus the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year.

(b) The sum of: (1) 125% of the lesser of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year; and (2) the lesser of (i) 200% of the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year or (ii) 2% plus the greater of the Average Actual Deferral Percentage of the Non-Highly Compensated Employees for the subject Plan Year or the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the subject Plan Year.

Notwithstanding the foregoing, for any subject Plan Year which begins on or after January 1, 1998, the Average Actual Deferral Percentage and the Average Actual Contribution Percentage of the Non-Highly Compensated Employees for the Plan Year which immediately precedes such subject Plan Year shall be used, instead of such percentages for such subject Plan Year, in determining the Aggregate Limit for such subject Plan Year.

5A.4.4 "Average Actual Deferral Percentage," "Actual Deferral Percentage," and "Eligible Participant" shall have the same meanings as are set forth in Section 4A.4 above, and "Excess Contributions" shall have the same meaning as is set forth in Section 4A.3 above.

5A.5 DISAGGREGATING PORTIONS OF PLAN. The provisions of Sections 5A.1 through 5A.4 above shall be applied only for the portion of this Plan which covers Participants who are not collectively bargained employees and as if such portion were a separate plan. For purposes hereof, a "collectively bargained employee" is an Employee who is included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Employer, provided retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer.

SECTION 6

ACCOUNTS AND THEIR ALLOCATIONS AND VESTING

6.1 SAVINGS ACCOUNTS AND ALLOCATION OF SAVINGS CONTRIBUTIONS THERETO.

6.1.1 The Committee shall establish and maintain a separate bookkeeping account, called herein a "Savings Account," for each Participant. Except as otherwise provided in the Plan, the Committee shall allocate to a Participant's Savings Account all Savings Contributions made on or after the Effective Amendment Date to the Trust on behalf of the Participant as soon as administratively practical after they are contributed to the Trust.

6.1.2 In addition, any and all amounts which were (1) attributable to contributions made under any Prior Plan by or at the election of a Participant prior to the Effective Amendment Date and (2) credited to the Participant's account under such Prior Plan before the Effective Amendment Date shall be deemed to have been allocated to the Participant's Savings Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed to such other plan by or at the election of the Participant (not including matching-type contributions), be deemed to be allocated to the Participant's Savings Account as of the date of such transfer.

6.1.3 The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Savings Account which is attributable to each different type of contribution reflected in it, E.G., Pre-Tax Savings Contributions or After-Tax Savings Contributions. In this regard, to the extent any amounts allocated to a Participant's Savings Account under this Plan reflect contributions made under a Prior Plan or any other plan at the election of the Participant, such amounts shall be deemed to reflect Pre-Tax Savings Contributions for purposes of this Plan to the extent such amounts were made under such Prior Plan or other plan on a "pre-tax" basis (I.E., prior to the Participant being deemed in receipt of such amounts for Federal income tax purposes) and shall be deemed to reflect After-Tax Savings Contributions for purposes of this Plan to the extent such amounts were made under such other plan on an "after-tax" basis (I.E., after the Participant was deemed in receipt of such amounts for Federal income tax purposes). Further, to the extent any amounts allocated to a Participant's Savings Account under this Plan reflect contributions made under any Prior Plan or other plan at the election of the Participant (not including matching-type contributions), such amounts shall be deemed to reflect Basic Savings Contributions for purposes of this Plan to the extent employer matching contributions were made by reason of such amounts under such Prior Plan or other plan and shall be deemed to reflect Additional Savings Contributions for purposes of this Plan to the extent no such employer matching contributions were made by reason of such amounts under such Prior Plan or other plan.

6.2 MATCHING ACCOUNTS AND ALLOCATION OF MATCHING CONTRIBUTIONS THERETO.

6.2.1 The Committee shall establish and maintain a separate bookkeeping account, called herein a "Matching Account," for each Participant. Except as otherwise provided in the Plan, the Committee shall allocate all Matching Contributions made to the Trust for any Plan Year which ends after the Effective Amendment Date among the Matching Accounts of all Participants who both are employed on the last day of such Plan Year and made no withdrawal of Basic Savings Contributions from their Savings Accounts during such Plan Year, in accordance with the allocation method described in Section 6.2.2 below, as of the last day of such Plan Year or as soon as administratively practical after such contributions are made to the Trust, whichever is later.

6.2.2 The Matching Contributions made to the Trust for any Plan Year which ends after the Effective Amendment Date (for purposes of this Section 6.2.2, the "subject Plan Year") shall be allocated among the Matching Accounts of the Participants who both are employed on the last day of the subject Plan Year and made no withdrawal of Basic Savings Contributions from their Savings Accounts during the subject Plan Year (for purposes of this Section 6.2.2, the "Eligible Participants") in accordance with the following provisions:

(a) The portion of the Matching Contributions made for the subject Plan Year by reason of Section 5.1.1 above shall be allocated among the Matching Accounts of the Eligible Participants, in the proportion that the adjusted Basic Savings Contributions made for the subject Plan Year by or for each Eligible Participant bears to the total adjusted Basic Savings Contributions made for the subject Plan Year by or for all Eligible Participants; except that no Eligible Participant's Matching Account shall be allocated under this paragraph (a) an amount for the subject Plan Year which is more than 100% of the Basic Savings Contributions made for the subject Plan Year by or for the Eligible Participant. For purposes of this paragraph (a), an Eligible Participant's "adjusted Basic Savings Contributions" for the subject Plan Year means: (1) 100% of the Basic Savings Contributions made for the subject Plan Year by or for the Eligible Participant if he or she has completed less than 15 years of Vesting Service by the start of the subject Plan Year; or (2) 150% of the Basic Savings Contributions made for the subject Plan Year by or for the Eligible Participant if he or she has completed 15 or more years of Vesting Service by the start of the subject Plan Year.

(b) The portion of the Matching Contributions made for the subject Plan Year by reason of Section 5.1.2 above shall be allocated among the Matching Accounts of the Eligible Participants in such a manner that each Eligible Participant's Matching Account is allocated under both paragraph (a) above and this paragraph (b), considered in the aggregate, an amount for the subject Plan Year which is equal to 33-1/3% of the Basic Savings Contributions made by or for such Eligible Participant for the subject Plan Year.

6.2.3 In addition, any and all amounts which were (1) attributable to contributions made by the Employer under the prior matching contribution or employee stock ownership portions of a Prior Plan for a Participant prior to the Effective Amendment Date and

(2) credited to the Participant's account under such Prior Plan immediately before the Effective Amendment Date shall be deemed to have been allocated to the Participant's Matching Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed under the matching contribution portion of such other plan, be deemed to be allocated to the Participant's Matching Account as of the date of such transfer.

6.2.4 The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Matching Account which is attributable to each different type of

contribution reflected in it.

6.3 ROLLOVER ACCOUNTS AND ALLOCATION OF ROLLOVER CONTRIBUTION THERETO. The Committee shall establish and maintain a separate bookkeeping account, called herein a "Rollover Account," for each Participant who makes a Rollover Contribution to the Plan. Except as otherwise provided in the Plan, the Committee shall allocate to a Participant's Rollover Account any Rollover Contribution made on or after the Effective Amendment Date to the Trust on behalf of the Participant as soon as administratively practical after it is contributed to the Trust.

6.4 RETIREMENT INCOME ACCOUNTS. The Committee shall establish and maintain a separate bookkeeping account, called herein a "Retirement Income Account," for each Participant for whom amounts are allocable to such account under the provisions of this Section 6.4. Any and all amounts which were (1) attributable to contributions made by the Employer under the regular profit sharing contribution portion of a Prior Plan prior to the Effective Amendment Date and (2) credited to the Participant's account under such Prior Plan immediately prior to the Effective Amendment Date shall be deemed to have been allocated to the Participant's Retirement Income Account at the time they were actually credited to the Participant's account under such Prior Plan. Further, any and all amounts transferred to this Plan on behalf of a Participant from another plan qualified under Section 401(a) of the Code on or after the Effective Amendment Date shall, to the extent such amounts reflect amounts which were contributed under a regular profit sharing portion of such other plan, be deemed to be allocated to the Participant's Retirement Income Account as of the date of such transfer. For purposes hereof, a "regular profit sharing portion" of a Prior Plan or other plan refers to the part of any profit sharing plan which is not attributable to contributions made by or at the election of a participant or to matching contributions made with respect to such participant-elected contributions. The Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of the Plan and under the applicable provisions of the Code, showing the portion of a Participant's Retirement Income Account which is attributable to contributions of each different plan reflected in it.

6.5 ALLOCATION OF FORFEITURES. Any forfeitures from Accounts arising under any of the provisions of the Plan during any Plan Year shall be allocated to other Accounts pursuant to and in accordance with the provisions of Section 8.6 below.

6.6 MAXIMUM ANNUAL ADDITION TO ACCOUNTS. A Participant's Accounts held under the Plan shall be subject to the maximum annual addition limits of Section 6A below.

6.7 INVESTMENT OF ACCOUNTS. A Participant's Accounts held under the Plan shall be invested in accordance with the provisions of Section 6B below.

6.8 ALLOCATION OF INCOME AND LOSSES OF INVESTMENT FUNDS TO ACCOUNTS.

6.8.1 Each Investment Fund shall be valued at its fair market value on a daily basis by the Trustee (or any other party designated for this purpose by the Committee). Each Account which has amounts allocable thereto invested at least in part in any such Investment Fund shall be credited with the income of such Investment Fund, and charged with its losses, by any reasonable accounting method approved by the Committee for this purpose. For purposes of the Plan, any income of any such Investment Fund is deemed to include all income and realized and unrealized gains of such Investment Fund; similarly, for purposes of this Plan, any losses of an Investment Fund are deemed to include all expenses and realized and unrealized losses of the Investment Fund.

6.8.2 As is indicated before in the Plan, the Committee shall keep records, to the extent necessary to administer this Plan properly under the other provisions of this Plan and under the applicable provisions of the Code, showing the portion of each Account which is attributable to each different type of contribution or to contributions under each different plan applicable to such Account. In general, a pro rata portion of any income or losses of an Investment Fund which is allocated under the foregoing provisions of this Section 6.8 to an Account shall, when appropriate, be further allocated to any portion of such Account for which a separate record is being maintained by the Committee. As a

result, any reference in the provisions of the Plan to a portion of a Participant's Account which is attributable to a specific type of contribution or to contributions previously made under a specific plan shall be deemed to be referring to the balance of the portion of such Account which reflects not only such specific type of contribution or contributions previously made under such specific plan allocated to such Account but also the income or losses allocated to such Account by reason of such specific type of contribution or contributions previously made under such specific plan.

6.8.3 Further, when the investment of two or more Accounts in the available Investment Funds is determined on an aggregate basis by a Participant under later provisions of the Plan, the Committee shall keep records, to the extent necessary to administer this Plan under the applicable provisions of this Plan and under the applicable provisions of the Code, showing the interest of each such Account in each such Investment Fund. In general, when the investment of two or more Accounts in the available Investment Funds is determined on an

aggregate basis, each such Account will be considered to be invested in a pro rata portion of each different Investment Fund investment made on such aggregate basis.

6.9 LOANS TO PARTICIPANTS. Notwithstanding any other provision of the Plan to the contrary, beginning effective July 1, 1997, loans shall be made to Participants in accordance with the following provisions:

6.9.1 Beginning as of July 1, 1997, subject to the following provisions of this Section 6.9, a Participant may request a loan be made to him or her from the Plan in accordance with the provisions of this Section 6.9. The Committee shall approve or deny any request for a loan under the following provisions of this Section 6.9. The Trust shall provide any requested loan approved by the Committee.

6.9.2 Only one loan made under the Plan to a Participant may be outstanding at any point in time. As a result, no loan shall be granted to a Participant under the Plan unless any prior loan made by the Plan to the Participant has been fully paid by the Participant prior to the date that the new loan is made. In this regard, any loan made by the Plan to a Participant may not be used to pay off a prior outstanding loan made by the Plan to such a Participant.

6.9.3 The amount of any loan made under the Plan to a Participant may not be less than $500 and may not exceed the lesser of: (1) $50,000 (reduced by the highest outstanding balance of loans made from the Plan to the Participant during the one year period ending on the day before the date of the loan); or (2) 50% of the portions of the Participant's Accounts in which the Participant is then vested under the other provisions of the Plan.

6.9.4 Each loan made to a Participant from the Plan shall bear a rate of interest for the entire term of the loan equal to a rate or rates to be determined by the Committee and to be generally based on the interest rate or rates used on commercial loans which are comparable in risk and return to the subject loan at the time the loan is made.

6.9.5 Each loan made to a Participant from the Plan shall be adequately secured by a portion of the Participant's Accounts under the Plan, up to but not in excess of 50% of the vested portion of the Participant's Accounts under the Plan, with such specific portion being determined by the Committee. Also, the Committee may require that the loan be paid by means of payroll deductions to the extent feasible and that the Participant agree to give the Employer the right to deduct from the Participant's salary or wages as payable the amounts necessary to make payments to the Plan on such loan and the right to forward such amounts to the Trust on behalf of the Participant as payments on such loan are due.

6.9.6 The term of any loan made to a Participant from the Plan shall not extend beyond five years.

6.9.7 Payments of principal and interest on any loan made to a Participant from the Plan shall be made according to a definite payment

schedule, which generally shall call for

payments each payroll period but in no event shall call for payments to be made on a basis slower than on a quarterly basis.

6.9.8 The entire unpaid balance of any loan made to a Participant under the Plan and all accrued interest under the loan shall become immediately due and payable without notice or demand, and in default, upon the occurrence of any of the following: (1) the failure to make any payment of principal or interest on the loan or any other payment required under the loan by the date it is due (and within any grace period permitted under the written loan policy of the Committee referred in the following provisions of this Section 6.9); (2) any filing by or against the Participant or his or her property of any proceedings under any bankruptcy, insolvency, or reorganization law; or (3) the date on which the Plan pursuant to its terms otherwise begins distributing any part of the Participant's vested Accounts under the Plan (or, if earlier, the expiration of any grace period set forth in the written loan policy of the Committee referred to in the following provisions of this Section 6.9 which begins on the first date by which the Plan pursuant to its terms could otherwise begin distributing the Participant's entire vested Accounts under the Plan if applicable requests and consents were given for such distribution).

6.9.9 In the event of a default on any loan made to a Participant from the Plan, foreclosure on the loan and the attachment of the security under the loan by the Plan shall be made when, but not until, an event occurs which, under the other terms of the Plan, would otherwise allow the complete distribution of the Participant's vested Accounts under the Plan (if all applicable requests and consents were given for such distribution). A foreclosure on the portion of the Participant's vested Accounts which are being used as security for the loan shall be deemed to be an actual distribution of such portion of the Participant's Accounts at the time of such foreclosure. However, any outstanding loan balance plus accrued interest may be taxable upon such default if required under the provisions of Section 72(p) of the Code, regardless of whether or not the loan has been foreclosed and the security as to the loan has been attached by the Plan. Interest shall continue to accrue until a loan is paid in full or until a distributable event occurs under the foregoing provisions, regardless of the taxability of the loan.

6.9.10 Notwithstanding any of the foregoing provisions of this Section 6.9, no loans may be made to a Participant who is not an Employee, except for a Participant who is a party in interest (within the meaning of Section 3(14) of ERISA) with respect to the Plan. In the event a Participant who is not an Employee but who is such a party in interest with respect to the Plan requests a loan, the provisions of this Section 6.9 shall apply to such loan, except that: (1) the Participant shall be allowed to make each required payment under the loan in cash or by check; and (2) the loan shall not be in default merely because the Participant has terminated employment with the Employer (when he or she has not yet received his or her entire vested Accounts under the Plan).

6.9.11 The expenses of originating and processing any loan, as determined by the Committee, shall be charged to the Participant and shall have to be paid by him or her to the Trust in order for the loan to be made.

6.9.12 A Participant shall be required to sign a promissory note and security agreement and any other documents deemed necessary by the Committee to carry out the terms of any loan made to the Participant from the Plan.

6.9.13 Unless otherwise provided by agreement between the Participant and the Committee, the principal amount of any loan made by the Plan to the Participant shall be charged, and the value of any payments made to the Plan on such loan credited, (1) first to the portion of the Participant's Savings Account which is attributable to his or her Pre-Tax Savings Contributions made under the Plan; (2) second, to the extent still necessary, to the Participant's Matching Account; (3) third, to the extent still necessary, to the Participant's Retirement Income Account; (4) fourth, to the extent still

necessary, to the Participant's Rollover Account; and (5) fifth, to the extent still necessary, to the portion of the Participant's Savings Account which is attributable to his or her After-Tax Savings Contributions made under the Plan. Further, any payment on the loan shall, to the extent it is credited to an Account of the Participant, be invested in the Investment Fund or Funds in the same manner as new contributions to such Account are being invested. Notwithstanding any other provision of the Plan to the contrary, any Account of a Participant shall not share in the other income and losses of the Trust to the extent that the Account has been charged by reason of a loan made pursuant to this Section 6.9; and no loan made to a Participant under the Plan or payments thereon shall be charged or credited to the Accounts of any other Participants. Instead, for purposes of the Plan, any loan made to a Participant shall be considered as a separate Investment Fund in which a portion of the Participant's Accounts is invested (and in which no other Accounts are invested).

6.9.14 If any Participant who is requesting a loan from the Plan is married at the time of the loan, then, to the extent such loan is being charged under Section 6.9.13 above to his or her Retirement Income Account, a written consent of his or her Spouse to the loan shall be required to be made within the 90 day period ending on the effective date of the loan. Such written consent of his or her Spouse must acknowledge the effect on the Participant's benefits under the Plan of such loan and be witnessed by a notary public.

6.9.15 The Committee shall be the party responsible for administering the loan program provided for under this Section 6.9. The Committee shall provide for a written loan policy which sets forth further and more detailed rules concerning loans made to Participants under the Plan, provided that such written loan policy is not inconsistent with any of the other provisions set forth in this Section 6.9. Such written loan policy shall include but not be limited to rules concerning procedures for requesting and repaying loans, times when loans may be paid, and any other matters required to be in such loan policy pursuant to the provisions of Department of Labor Regulations Section 2550.408b-1. Such loan policy may also provide, but not be limited to, rules for granting a suspension of required loan payments under the loan or any adjustment in the installments as to the loan when a Participant is on a Leave of Absence without pay or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments otherwise required on the loan. Any such written loan policy shall be deemed a part of this Plan and incorporated by reference herein.

6.10 DEDUCTION OF BENEFIT PAYMENTS, FORFEITURES, AND WITHDRAWALS. Any benefit payment, forfeiture, or withdrawal made from the balance of an Account of a Participant under the provisions of the Plan shall be deducted, as of the date of such payment, forfeiture, or withdrawal, from such Account. If such Account is invested in more than one Investment Fund and such payment, forfeiture, or withdrawal is of less than the entire balance in such Account, then, except to the extent otherwise provided by accounting rules adopted by the Committee, the value of the investment of such Account among the Investment Funds will be reduced on a pro-rata basis (I.E., in the proportion that the balance of such Account then invested in each Investment Fund bears to the total balance of such Account then invested in all such Investment Funds) to reflect the amount of such payment, forfeiture, or withdrawal.

6.11 ACCOUNT BALANCES. For purposes of the Plan, the balance or value of any Account as of any specific date shall be deemed to be the net sum of amounts allocated or credited to, or charged or deducted from, such Account on such date under the provisions of the Plan. No Participant, however, shall acquire any right or interest in a specific asset of the Trust merely as a result of any allocation provided for in the Plan, other than as expressly set forth in the Plan.

6.12 VESTED RIGHTS. A Participant shall be deemed vested in (I.E., have a nonforfeitable right to) his or her Accounts (and the balances therein) only in accordance with the following provisions:

6.12.1 A Participant shall be fully vested at all times in his or her Savings Account and any Rollover Account of his or hers.

6.12.2 Except as is otherwise provided in Section 6.12.5 below, a Participant who was a participant in a Prior Plan on or before March

31, 1997 shall be fully vested at all times in any Matching Account of his or hers.

6.12.3 A Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall have a vested interest in any Matching Account of his or hers as of any specific date equal to a percentage (for purposes of this Section 6.12.3, the "vested percentage") of such Account, determined in accordance with the following schedule (based upon his or her years of Vesting Service completed to the subject date):

<TABLE>
<CAPTION>

YEARS OF VESTING SERVICE	VESTED PERCENTAGE
<S>	<C>
Less than 3	0%
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

</TABLE>

Notwithstanding the foregoing, a Participant who was not a participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she attains his or her Normal Retirement Age, incurs a Total Disability, or dies while, in any such case, still an Employee. In addition, and also notwithstanding the foregoing, a Participant who was not a Participant in any Prior Plan on or before March 31, 1997 shall be fully vested in any Matching Account of his or hers if he or she ceases to be an Employee by reason of the closing or sale (not including the merger into any Employer or Affiliated Employer or into any division or facility of an Employer or Affiliated Employer) of any Employer (or any division or facility of an Employer) while he or she is employed by such Employer (or division or facility of such Employer).

6.12.4 Except as is otherwise provided in Section 6.12.5 below, a Participant shall be fully vested at all times in any Retirement Income Account of his or hers.

6.12.5 Notwithstanding any of the provisions of Section 6.12.3 or 6.12.4 above, any Participant who fails to complete at least one Hour of Service on or after the Effective Amendment Date shall have a vested interest in any Matching Account and/or Retirement Income Account of his or hers to the extent, and only to the extent, provided under each and any Prior Plan in which the amounts reflected in such Account or Accounts were credited (in accordance with the provisions of the Prior Plan as in effect at the time the Participant ceased to be an employee for purposes of such Prior Plan).

6.13 VOTING OF FEDERATED COMMON SHARES HELD IN INVESTMENT FUND.

6.13.1 Any common shares of Federated which are held in the Investment Fund described in Section 6B below as Fund F (for purposes of this Section 6.13.1, "Fund F") shall be voted, on any matter on which such common shares have a vote, in the manner directed by the Participants pursuant to this Section 6.13.

6.13.2 Specifically, each Participant who has any portion of his or her Account invested in Fund F as of the record date used by Federated to determine the Federated common shares eligible to vote on any matter may direct the Plan as to how a number of the Federated common shares held in Fund F as of such record date are to be voted on such matter. The number of shares subject to the Participant's direction shall be equal to the product produced by multiplying the total number of Federated common shares held in Fund F as of such record date by a fraction. Such fraction shall have a numerator equal to the value of the portion of the Participant's Accounts which are invested in Fund F determined as of such record date and a denominator equal to the total

value of Fund F as of such record date. If a Participant fails to instruct the Plan on how to vote on any matter the number of Federated common shares held in Fund F he or she is entitled to direct, such shares will not be voted on such matter.

6.13.3 Before any annual or special meeting of Federated shareholders, the Committee or a Committee representative will send each Participant who is entitled to direct

the vote of any Federated common shares held in Fund F on a matter being voted on at such meeting a form allowing the Participant to instruct the Plan as to how to vote such shares on such matter.

SECTION 6A

MAXIMUM ANNUAL ADDITION LIMITS

6A.1 MAXIMUM ANNUAL ADDITION LIMIT--SEPARATE LIMITATION AS TO THIS PLAN.

6A.1.1 GENERAL RULES. Subject to the other provisions of this Section 6A.1 but notwithstanding any other provision of the Plan to the contrary, in no event shall the annual addition to a Participant's accounts for any limitation year exceed the lesser of:

(a) $30,000 (or, if greater, 1/4 of the dollar limitation for defined benefit plans in effect under Section 415(b)(1)(A) of the Code for such limitation year); or

(b) 25% of the Participant's compensation for such limitation year.

The part of the annual addition attributable to contributions to a defined benefit plan for medical benefits under Code Section 401(h) or to contributions to a welfare benefit fund for funding for post-retirement medical benefits under Code Section 419A(d) shall not be applied against the limit set forth in paragraph (b) above, however.

6A.1.2 NECESSARY TERMS. For purposes of the rules set forth in this Section 6A.1, the following terms shall apply:

(a) The "annual addition" to a Participant's accounts for a limitation year for purposes of this Plan shall be determined under the provisions of the Code (and mainly Code Section 415(c)(2)) in effect for such limitation year. In general, for any limitation year beginning after December 31, 1986, the annual addition is generally the sum of employer contributions, employee contributions, and forfeitures allocated to the Participant's accounts for such limitation year under all defined contribution plans (as defined in Code Section 414(i)) maintained by the Employer or any Affiliated Employers, plus any contributions made on behalf of the Participant for such limitation year under Code Section 415(1) or Code Section 419A(d) (E.G., contributions to a defined benefit plan for medical benefits or contributions on behalf of a key employee to a welfare benefit fund for funding for post-retirement medical benefits) under defined benefit plans or welfare benefit funds maintained by the Employer or any Affiliated Employers. (It is noted that for any limitation year beginning before January 1, 1987, not all employee contributions were included

in the annual addition; instead, only the lesser of the amount of the employee contributions made for such limitation year in excess of 6% of the Participant's annual compensation for such limitation year or one-half of the employee contributions made for such limitation year were counted as part of the annual addition. This determination need not be recalculated for any such pre-1987 limitation year. In addition, it is also noted that any Rollover Contributions of a Participant or any restoration of a Participant's accounts under Section 8.4, 10.2, or 15.4 below shall not be considered part of an annual addition for the limitation year in which the restoral occurs.)

(b) A Participant's "compensation" shall, for purposes of the restrictions of Section 6A.1 hereof, refer to his or her Compensation as defined in Section 1.7 above; except that, for purposes of this Section 6A.1, paragraph (b) of Section 1.7 above shall not apply and, for any limitation year which begins prior to January 1, 1998, paragraph (c) of Section 1.7 above shall also not apply.

(c) The "limitation year" for purposes of the restrictions under Section 6A.1 above shall be the Plan Year.

6A.1.3 EXCESS ANNUAL ADDITIONS. If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's compensation for a limitation year, a reasonable error in determining the amount of any Pre-Tax Savings Contributions that may be made with respect to a Participant under the limits of Section 415 of the Code, or under other limited facts and circumstances which the Commissioner of Internal Revenue finds justify the availability of the rules described in this Section 6A.1.3, the annual addition for a Participant with respect to any limitation year would otherwise cause the limits of Section 6A.1.1 above to be exceeded, such excess amount shall not be deemed an annual addition in such limitation year for such Participant and shall instead be adjusted under this Plan as follows:

(a) First, to the extent necessary to eliminate the excess portion of the annual addition, the amount of the Matching Contributions made for the Participant for the applicable limitation year and the forfeitures allocated to the Participant's Matching Account for such limitation year (and Plan earnings attributable to such Matching Contributions and forfeitures, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be allocated to Accounts of other Participants in such a manner that they are used to reduce the Matching Contributions to the Plan (and as if they were the Matching Contributions which they replace) at the next earliest opportunity in succeeding limitation years. Such reallocated Matching Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Matching Contributions of the Participant for whose Account they constituted an excess allocation in determining if the average actual contribution percentage limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant.

(b) Second, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of the Participant's After-Tax Savings Contributions for the applicable limitation year which are Additional Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be returned to the Participant. Such returned After-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as After-Tax Savings Contributions of the Participant in determining if the average actual contribution percentage

limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant.

(c) Third, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of the Participant's Pre-Tax Savings Contributions for the applicable limitation year which were

Additional Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or a substantially similar method to the method, used to determine Plan earnings attributable to Excess Contributions under Section 4A.3.2 above for the applicable limitation year) shall be returned to the Participant. Such returned Pre-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Pre-Tax Savings Contributions of the Participant in determining if the average actual deferral percentage limits set forth in Section 4A.1 above (and Section 401(k)(3) of the Code), and the dollar limit on Pre-Tax Savings Contributions set forth in Section 1.23 above (and Section 402(g) of the Code), are met as to such Participant.

(d) Fourth, to the extent still necessary to eliminate the excess portion of the annual addition, the amount of After-Tax Savings Contributions for the applicable limitation year which are Basic Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Aggregate Contributions under Section 5A.3.3 above for the applicable limitation year) shall be returned to the Participant. Such returned After-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as After-Tax Savings Contributions of the Participant in determining if the average actual contribution percentage limits set forth in Section 5A.1 above (and Section 401(m)(2) of the Code) are met as to such Participant. This paragraph (d) shall not apply to any Plan Year which begins on or after January 1, 1998, however.

(e) Finally, to the extent still necessary to eliminate the excess portion of the annual addition, the Participant's Pre-Tax Savings Contributions for the applicable limitation year which are Basic Savings Contributions (and Plan earnings attributable thereto, which shall be determined by the same method, or by a substantially similar method to the method, used to determine Plan earnings attributable to Excess Contributions under Section 4A.3.2 above for the applicable limitation year) shall be returned to the Participant. Such returned Pre-Tax Savings Contributions shall not, notwithstanding any other provision of the Plan to the contrary, be taken into account as Pre-Tax Savings Contributions of the Participant in determining if the average actual deferral percentage limits set forth in Section 4A.1 above (and Section 401(k)(3) of the Code), and the dollar limit on Pre-Tax Savings Contributions set forth in Section 1.23 above (and Section 402(g) of the Code), are met as to such Participant.

Any contributions which are to be used in place of and to reduce future Matching Contributions to the Plan shall be held in a suspense account until being able to be so used. No Plan income

or losses shall be allocated to such suspense account. Also, while any suspense account exists, the Employer shall make further contributions to the Plan for any succeeding limitation year only if the amounts held in such suspense account shall be able to be allocated to Participants' Accounts for such limitation year.

6A.1.4 COMBINING OF PLANS. If any other defined contribution plans (as defined in Section 414(i) of the Code) in addition to this Plan are maintained by the Employer or any Affiliated Employers, then the limitations set forth in this Section 6A.1 shall be applied as if this Plan and such other defined contribution plans are a single plan. If any reduction or adjustment in a Participant's annual addition is required by this Section 6A.1, such reduction or adjustment shall when necessary be made to the extent possible under any of such other defined contribution plans in which a portion of the annual addition was allocated to the Participant's account as of a date in the applicable limitation year which is later than the latest date in such year as of which any portion of the annual addition was allocated to the Participant's account under this Plan (provided such other plan or plans provide for such reduction or adjustment in such situation). To the extent still necessary, such reduction or adjustment shall be made under this Plan.

6A.2 MAXIMUM ANNUAL ADDITION LIMIT--COMBINED LIMITATION FOR THIS PLAN

AND OTHER DEFINED BENEFIT Plans.

6A.2.1 GENERAL RULE. Subject to the other provisions of this Section 6A.2 but notwithstanding any other provision of this Plan to the contrary, if a Participant in this Plan also participates in one or more defined benefit plans (as defined in Section 414(j) of the Code) which are maintained by the Employer or the Affiliated Employers, then in no event shall the sum of such Participant's defined benefit plan fraction and defined contribution plan fraction for any limitation year exceed 1.0. If and to the extent necessary, the Participant's retirement benefits that are projected or payable under the defined benefit plan or plans shall be reduced or frozen so that this limitation is not exceeded (provided such defined benefit plan or plans provide for such reduction or freezing of his or her retirement benefits in such situation). If this limitation is still exceeded even after such reduction or freezing of the Participant's retirement benefits, then the annual addition to the Participant's Accounts under this Plan shall be reduced to the additional extent necessary so that the limitation is not exceeded. Such reduction shall, to the extent necessary, be made in the same manner as is described in Section 6A.1.3 above.

6A.2.2 DEFINED BENEFIT PLAN FRACTION. For purposes of this Section 6A.2, a Participant's "defined benefit plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the Participant's projected annual benefit under all of the defined benefit plans maintained by the Employer and the Affiliated Employers (determined as of the close of the subject limitation year and including any such plans whether or not terminated); and

(b) The denominator of which is the lesser of (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(b)(1)(A) for such limitation year or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(b)(1)(B) by the close of such limitation year (I.E., 1.4 multiplied by 100% of his or her average annual compensation for his or her high three years). If a Participant's current accrued benefit as of the first day of the limitation year beginning on January 1, 1987 exceeds the dollar limitation in effect under Code Section 415(b)(1)(A) for any limitation year, however, then the dollar limitation referred to in clause (1) above shall be deemed to be not less than such current accrued benefit. For purposes hereof, the Participant's "current accrued benefit" means his or her accrued benefit when expressed as an annual benefit and as determined under such defined benefit plans as of the close of the last limitation year beginning before January 1, 1987 (but disregarding any change in the terms and conditions of such plans after May 5, 1986 and any cost of living adjustment occurring after May 5, 1986).

6A.2.3 DEFINED CONTRIBUTION PLAN FRACTION. For purposes of this Section 6A.2, a Participant's "defined contribution plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the sum of all of the annual additions to the Participant's accounts under this Plan and all other defined contribution plans (and, to the extent annual additions are made thereto, defined benefit plans and welfare benefit funds) maintained by the Employer and the Affiliated Employers (whether or not terminated) which have been made as of the close of the subject limitation year (including annual additions made in prior limitation years); and

(b) The denominator of which is the sum of the lesser of the following amounts determined for the subject limitation year and for each prior limitation year in which the Participant performed service for the Employer or an Affiliated Employer: (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(c)(1)(A) for the applicable limitation year (determined without regard to Code Section 415(c)(6)), or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(c)(1)(B) for the applicable limitation year. (In general, for limitation years beginning after December 31, 1986, the dollar limitation in effect under Code Section 415(c)(1)(A) for a limitation year is the greater of $30,000 or 1/4 of the dollar limitation in effect under Code Section 415(b)(1)(A) for such limitation year, and the amount which may be taken into

account under Code Section 415(c)(1)(B) for a limitation year is 25% of the Participant's compensation for such limitation year.)

6A.2.4 OTHER NECESSARY TERMS. For purposes of the rules set forth in this Section 6A.2, the following terms shall apply:

(a) A Participant's "projected annual benefit" as of the close of any limitation year means the annual benefit that the Participant would be entitled to under all of the defined benefit plans maintained by the Employer and the Affiliated Employers if (1) the Participant continued in employment with his or her current employer on the same basis as exists

as of the close of the subject limitation year until attaining his or her Normal Retirement Age (or, if he or she has already attained such age by the close of the subject limitation year, he or she immediately terminated his or her employment), (2) the Participant's annual compensation for the subject limitation year remains the same each later limitation year until he or she terminates employment, and (3) all other relevant factors used to determine benefits under such plans for the subject limitation year remain constant for all future limitation years.

(b) A Participant's "annual benefit" means a benefit payable in the form of a single life annuity.

(c) A Participant's "annual addition," his or her "compensation," and the "limitation year" shall all have the same meanings as are given to those terms in Section 6A.1 above.

6A.2.5 ADJUSTMENT OF DEFINED CONTRIBUTION PLAN FRACTION. If necessary, an amount shall be subtracted from the numerator of the defined contribution plan fraction applicable to a Participant in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate so that the sum of the Participant's defined benefit plan fraction and defined contribution plan fraction computed as of the end of the last limitation year beginning before January 1, 1987 does not exceed 1.0 for such limitation year.

6A.2.6 COMBINING OF PLANS. If any other defined contribution plans (as defined in Section 414(i) of the Code) in addition to this Plan are maintained by the Employer or any Affiliated Employers, then the limitation set forth in this Section 6A.2 shall be applied as if this Plan and such other defined contribution plans are a single plan. If any reduction or adjustment in a Participant's annual addition is required by this Section 6A.2, such reduction or adjustment shall be made to the extent possible under any of such other defined contribution plan or plans in which a portion of the annual addition was allocated to the Participant's account as of a date in the applicable limitation year which is later than the latest date in such year as of which any portion of the annual addition was allocated to the Participant's account under this Plan (provided such other plan or plans provide for such reduction or adjustment in such situation). To the extent still necessary, such reduction or adjustment shall be made under this Plan.

6A.2.7 TERMINATION OF LIMITATION. Notwithstanding any other provision of the Plan to the contrary, the provisions set forth in this Section 6A.2 shall not apply, and shall no longer be effective, for any limitation year which begins after December 31, 1999.

SECTION 6B

INVESTMENT OF ACCOUNTS

6B.1 GENERAL RULES FOR INVESTMENT OF ACCOUNTS. All of a Participant's Accounts shall be invested on and after the Effective Amendment Date in the

manner provided under and in accordance with the following provisions of this Section 6B.1.

6B.1.1 Each Participant may elect, to be effective as of the next pay day of the Participant by which the Committee can reasonably put such election into effect, to invest, as soon as practical after they are made, the Participant's Savings Contributions and Rollover Contributions made to the Plan (his or her "future Savings and Rollover Contributions") in 1% increments among any or all of Funds A, B, C, D, E, and F. Notwithstanding the foregoing, the Participant may not elect that more than 50% of his or her future Savings and Rollover Contributions will be invested in Fund F. Further, if the Participant never makes any election as to the investment of his or her future Savings and Rollover Contributions, then he or she shall be deemed to have elected to invest his or her future Savings and Rollover Contributions in Fund A until he or she changes such election under this Section 6B.1.1.

6B.1.2 Any Matching Contributions made to the Plan which are allocable to a Participant's Accounts shall be invested, as soon as practical after they are made, in Fund F.

6B.1.3 Further, each Participant may at any time elect, to be effective as of the next day by which the Committee can reasonably put such election into effect, to change the investment of the then balance of his or her Accounts (including for this purpose the portion of his or her Accounts attributable to his or her Savings Contributions and Rollover Contributions, and to Matching Contributions allocable to his or her Accounts, which were made prior to such election) in 1% increments among any or all of Funds A, B, C, D, E, and F. Notwithstanding the foregoing, such election may not result in more than 50% of the then balance of his or her Accounts to be invested in Fund F.

6B.1.4 Unless a Participant changes the investment of the balance of his or her Accounts as of any date under Section 6B.1.3 above, any net income arising under Fund A, B, C, D, E, or F and allocable to the Participant's Accounts shall be reinvested in such Fund.

6B.1.5 Any election made by a Participant under Section 6B.1.1 or 6B.1.3 above must be made by a communication to a Plan representative under a telephonic system approved by the Committee or by any other method approved by the Committee. If such election is made by a telephonic communication, it shall be confirmed in writing by the Plan representative to the Participant.

6B.1.6 If a Participant fails at any time to make an election as to the investment of his or her future Savings and Rollover Contributions or the then balance of his or

her Accounts, then his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, as the case may be, shall continue to be invested in the same manner as applied immediately prior to such time without change until the Participant subsequently does elect a change under this Section 6B.1 (except that, if no election as to the investment of his or her future Savings and Rollover Contributions or the then balance of his or her Accounts, as the case may be, had ever previously been made as to such contributions or balance, then the Participant shall be deemed to have elected to invest such contributions or balance in Fund A.)

6B.2 INVESTMENT FUNDS. Several Funds shall be maintained in the Trust Fund for the investment of Plan funds. For purposes hereof, a "Fund" means a separate commingled investment fund established under the Trust Fund which is used for the investment of assets of the Plan. Each of such Funds has a specific investment focus and party or parties directing its investments, which in both cases is chosen by the Committee or an investment committee appointed under the provisions of the Trust. Each Fund is subject to all of the terms of the Trust Fund. For purposes of the Plan, the funds listed below are Funds used for the Plan, have the investment focus described below, and are the Funds referred to in the other provisions of the Plan:

6B.2.1 "Fund A" invests in a variety of short-term fixed income corporate and government securities, mortgage securities, investment contracts with selected insurance or other companies, intermediate-term

fixed-income securities, and cash equivalents.

6B.2.2 "Fund B" invests in a variety of corporate and government fixed-income securities, mortgage securities, equity securities, and cash equivalents, as selected by the Committee or by one or more investment managers appointed under the Trust Fund.

6B.2.3 "Fund C" invests in common stocks of well established companies which are generally reflected in the Standard & Poor's 500 stock equity index fund.

6B.2.4 "Fund D" invests in the common stocks of smaller, less recognized companies than the companies reflected in Fund C.

6B.2.5 "Fund E" invests in the stocks of companies not based in the United States.

6B.2.6 "Fund F" invests primarily in common stock of Federated, except that a portion of such Fund may invest in certain cash equivalents.

SECTION 7

WITHDRAWALS DURING EMPLOYMENT

7.1 WITHDRAWALS OF AFTER-TAX SAVINGS AND ROLLOVER CONTRIBUTIONS.

7.1.1 Upon written notice filed with a Plan representative, a Participant may elect to withdraw from his or her Savings Account any portion of the then value of such Account which is attributable to his or her After-Tax Savings Contributions which are treated under other provisions of the Plan as Additional Savings Contributions (for purposes of this Section 7.1, the "After-Tax Additional Savings Contributions"), and/or to withdraw any portion of the then value of his or her Rollover Account, and which he or she designates in the notice.

7.1.2 Also upon written notice filed with a Plan representative, any Participant may, provided he or she elects at the same time to withdraw the maximum amount of After-Tax Additional Savings Contributions he or she is permitted to withdraw under Section 7.1.1 above (if any), elect to withdraw from his or her Savings Account any portion of the then value of such Account which is attributable to his or her After-Tax Savings Contributions which are treated under other provisions of the Plan as Basic Savings Contributions and which he or she designates in the notice.

7.1.3 If a withdrawal under Section 7.1.1 above and/or Section 7.1.2 above is elected, the actual withdrawal payment shall be distributed in cash to the Participant as soon as administratively practical after such election.

7.2 WITHDRAWALS OF PRE-TAX SAVINGS CONTRIBUTIONS.

7.2.1 Upon written notice filed with a Plan representative, a Participant may, provided he or she elects at the same time to withdraw the maximum amount he or she is permitted to withdraw under Section 7.1 above (if any), request a withdrawal from his or her Savings Account of any portion of the then value of such Account which is attributable to his or her Pre-Tax Savings

Contributions and which he or she designates in the notice, so long as, if the Participant has not yet attained age 59-1/2, the requested amount is not greater than the difference between the dollar amount of the Pre-Tax Savings Contributions previously made on his or her behalf to the Plan and the amount of Pre-Tax Savings Contributions he or she has previously withdrawn from the Plan. Further, no withdrawal may be allowed under this Section 7.2 unless the withdrawal is requested (1) after the Participant has attained age 59-1/2 or (2) because of a hardship.

7.2.2 If such a withdrawal is requested, the actual withdrawal payment shall be distributed in cash to the Participant as soon as administratively practical after such election, provided the Committee or a Committee representative determines such request is to be granted under the rules set forth in this Section 7.2 (and, if applicable, Section 7.3 below).

7.2.3 Also, any withdrawal made by a Participant shall be deemed for Plan purposes to consist first of those Pre-Tax Savings Contributions which are treated under other provisions of the Plan as Additional Savings Contributions and second (only to the extent still necessary) of those Pre-Tax Savings Contributions which are treated under other provisions of the Plan as Basic Savings Contributions.

7.2.4 Any withdrawal requested under this Section 7.2 because of a hardship shall be granted by the Committee or a Committee representative if (and only if) the Committee or the Committee representative determines that the requested hardship withdrawal meets the requirements set forth in Section 7.3 below.

7.3 REQUIREMENTS FOR HARDSHIP WITHDRAWALS. Any withdrawal which is requested by a Participant under Section 7.2 above because of a hardship must meet the following requirements in order to be granted by the Committee or a Committee representative:

7.3.1 Any such hardship withdrawal must be requested by the Participant and certified to be on account of an immediate and heavy financial need of the Participant. Also, written documentation of the reason for requesting the withdrawal may be required by the Committee or a Committee representative. Whether a withdrawal is requested on account of an immediate and heavy financial need of the Participant shall be determined by the Committee or a Committee representative on the basis of all facts and circumstances. In this regard, a withdrawal shall be considered to be requested on account of an immediate and heavy financial need of the Participant if the request is on account of:

(a) Expenses for medical care (described in Section 213(d) of the Code) previously incurred by the Participant, his or her spouse, or any dependents of his or hers (as defined in Section 152 of the Code) or necessary for these persons to obtain medical care (described in Section 213(d) of the Code);

(b) Costs directly related to the purchase (excluding mortgage payments) of a principal residence of the Participant;

(c) The payment of tuition and related educational fees for the next twelve months of post-secondary education for the Participant or his or her spouse, children, or dependents (as defined in Section 152 of the Code);

(d) The need to prevent the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence;

(e) The need to pay funeral expenses of a family member of the Participant;

(f) The need to pay expenses resulting from sudden or unexpected damage to the Participant's principal residence or personal property;

(g) To the extent not described in paragraph (a) above, the need to pay expenses resulting from a sudden and unexpected illness or accident of the Participant or a family member of the Participant; or

(h) To the extent not included in any of the foregoing paragraphs, the need to pay expenses to alleviate the Participant's severe financial hardship resulting from extraordinary and unforeseeable circumstances beyond the control of the Participant.

7.3.2 Any such hardship withdrawal must also be necessary to satisfy the need for the withdrawal. A withdrawal shall be deemed necessary to satisfy such need if, and only if, all of the following conditions are certified to by the Participant:

(a) The withdrawal is not in excess of the amount of the immediate and heavy financial need of the applicable Participant which has caused the Participant to request the withdrawal. The amount of an immediate and heavy financial need of the Participant may include an amount permitted by the Committee under uniform rules to cover Federal income taxes or penalties which can reasonably be anticipated to result to the Participant from the distribution;

(b) The Participant has obtained or is obtaining by the date of the withdrawal all withdrawals (other than hardship withdrawals) and all nontaxable (at the time of the loans) loans then available under the Plan and all other plans of the Employer and the Affiliated Employers, including any loans then available under Section 6.9 above and any withdrawal then available under Section 7.1 above;

(c) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election pursuant to an arrangement described in Section 401(k) of the Code under the Plan, or any other plan of the Employer or an Affiliated Employer which is qualified under Section 401(a) of the Code, for a one year period beginning on the date on which the withdrawal payment is made;

(d) The Participant shall be suspended from making employee contributions or having contributions made by reason of his or her election under any plan of deferred compensation of the Employer or an Affiliated Employer which is not qualified under Section 401(a) of the Code, including for purposes hereof a stock option or stock purchase plan, for at least one year after the date on which the withdrawal payment is made; and

(e) The Participant cannot relieve such need through any other resources.

7.4 SUSPENSION OF SAVINGS CONTRIBUTIONS. Notwithstanding any other provision in the Plan to the contrary, the ability of any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship shall automatically be suspended from making Savings Contributions under this Plan for the one year period beginning on the date on which the

withdrawal payment is made. The Participant may elect to have Savings Contributions resume being made on his or her behalf as of any pay day which occurs at least one year after such withdrawal date (or any subsequent day) only by filing a new Savings Agreement with a Plan representative an administratively reasonable number of days prior to such pay day.

7.5 REDUCTION OF POST-WITHDRAWAL PRE-TAX SAVINGS CONTRIBUTIONS. Notwithstanding any other provision in the Plan to the contrary, any Participant who makes a withdrawal under Sections 7.2 and 7.3 above because of a hardship may not elect to have Pre-Tax Savings Contributions made to this Plan, and/or to have any contributions made to any other plan of the Employer or an Affiliated Employer by reason of an election pursuant to any arrangement described in Section 401(k) of the Code, for the Participant's tax year next following his or her tax year in which he or she receives such withdrawal which are in the

aggregate in excess of an amount equal to: (1) the applicable limit under Section 402(g) of the Code for such next tax year (E.G., $9,500, as increased by the Secretary of the Treasury or his or her delegate for such next tax year); less (2) the aggregate sum of the Pre-Tax Savings Contributions made on behalf of the Participant to this Plan, and the contributions made on his or her behalf to any other plan of the Employer or an Affiliated Employer by reason of any arrangement described in Section 401(k) of the Code, for the Participant's tax year in which such withdrawal is made.

SECTION 8

DISTRIBUTIONS ON ACCOUNT OF TERMINATION OF EMPLOYMENT FOR REASONS OTHER THAN DEATH

8.1 DISTRIBUTION OF RETIREMENT BENEFIT. Each Participant who is vested in any Account under the Plan shall be entitled to a retirement benefit under the Plan, which is payable in accordance with the following provisions:

8.1.1 The form of such benefit shall be determined under Sections 8A and 8B below.

8.1.2 Further, subject to the other provisions of the Plan, such benefit shall be paid or commence to be paid within a reasonable administrative period after the date the Participant provides a Plan representative with a written direction (on a form prepared or approved by the Committee) to pay the benefit, except that in no event shall such benefit be paid or commence to be paid prior to the earlier of the date the Participant ceases to be an Employee or the Participant's Required Commencement Date or later than the Participant's Required Commencement Date.

8.1.3 Notwithstanding the provisions of Section 8.1.2 above, such benefit shall automatically be paid, with no direction or consent of the Participant being required, within a reasonable administrative period after the date the Participant ceases to be an Employee if the lump sum amount of such benefit is then determined to be $3,500 or less and if the Participant's ceasing to be an Employee occurs prior to his or her Required Commencement Date; except that such benefit shall in no event be paid later than the Participant's Required Commencement Date.

8.1.4 Also, in no event shall distribution of any benefit under the Plan to a Participant under this Section 8.1 be made or commence, provided the Participant has filed a written direction to pay the benefit (when such direction is required) and the amount of the benefit can be determined, later than 60 days after the end of the later of the Plan Year during which the Participant attains his or her Normal Retirement Age or the Plan Year in which he or she ceases to be an Employee.

8.1.5 If a Participant dies before the full distribution of the retirement benefit to which he or she is entitled, his or her beneficiary under the Plan shall be entitled to a benefit under Section 9 below and the provisions of this Section 8.1 shall no longer apply.

8.2 REQUIRED COMMENCEMENT DATE. For purposes of the Plan and Section 8.1 above in particular, a Participant's "Required Commencement Date" means a date determined by the Committee for administrative reasons to be the date on which the Participant's vested Plan benefit (if any such benefit would then exist and not yet have been distributed) is to commence in order to meet the requirements of Section 401(a)(9) of the Code as such requirements are in

effect in the first calendar year that the Participant reaches an age which requires the commencement of the Participant's vested Plan benefit under such Code Section in such calendar year or the immediately following calendar year. Such date, for any Participant who has not in a calendar year ending prior to the Effective Amendment Date reached an age which required the commencement of the Participant's vested Plan benefit in such calendar year or the immediately following calendar year, and subject to any subsequent changes to Code Section 401(a)(9), shall be in accordance with the following parameters:

8.2.2 For a Participant who is not a 5% owner of the Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the calendar year in which he or she ceases to be an Employee.

8.2.3 For a Participant who is a 5% owner of the Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the earlier of the calendar year with or within which ends the Plan Year in which he or she becomes a 5% owner of the Employer or the calendar year in which he or she ceases to be an Employee.

8.2.4 A Participant is deemed to be a 5% owner of the Employer for purposes hereof if he or she is a 5% owner of the Employer (as determined under Section 416(i)(1)(B) of the Code) at any time during the Plan Year ending with or within the calendar year in which he or she attains age 66-1/2 or any subsequent Plan Year. Once a Participant meets the criteria, he or she shall be deemed a 5% owner of the Employer even if he or she ceases to own 5% of the Employer in a later Plan Year.

8.2.5 Notwithstanding the foregoing, for any Participant who has no amount at all allocated to any Account of his or hers under the Plan (or who is not yet even a Participant) on the date which otherwise would be his or her Required Commencement Date under the foregoing provisions of this Section 8.2, then his or her Required Commencement Date shall not be subject to such foregoing provisions but rather must be a date which falls in, and is no later than the December 31 of, the calendar year next following the first calendar year in which falls a date as of which an amount is allocated to any Account of his or hers under the Plan.

8.3 FORFEITURE OF NONVESTED ACCOUNTS ON TERMINATION OF EMPLOYMENT. If a Participant ceases to be an Employee for any reason prior to a time when his or her Accounts are fully vested, the Participant will forfeit from his or her Accounts the nonvested balance therein (I.E., the total balance of such Accounts less the vested portion, if any, of such balance), on and as determined as of the earlier of (1) the date on which he or she receives distribution of the full vested portion of his or her Accounts or (2) the end of the Plan Year in which he or she first incurs a Six-Year Break-in-Service which ends after the Participant ceases to be an Employee. The forfeited amount shall be allocated to Accounts of other Participants in

accordance with Section 8.6 below. For purposes hereof, a Participant who terminates employment with the Employer at a time when he or she has no vested balance in his or her Accounts at all shall be deemed to have received a complete distribution of the vested portion of his or her Accounts on the date of such termination of employment.

8.4 SPECIAL RULES AS TO EFFECT OF REHIRINGS ON ACCOUNTS.

8.4.1 If a former Participant who ceased to be an Employee and thereby forfeited all of his or her Accounts is rehired as an Employee prior to incurring a Six-Year Break-in-Service, the dollar amount which was previously

forfeited from such Accounts shall be restored, as of the last day of the Plan Year in which he or she is rehired, to new Accounts (of the same types as the ones from which he or she suffered the forfeiture) established for him or her under the Plan. In addition, if a former Participant who ceased to be an Employee, thereby forfeited a portion of but not all of his or her Accounts, and received a distribution of the vested balance of such Accounts is rehired as an Employee prior to incurring a Six-Year Break-in-Service, he or she may repay to the Trust the dollar amount previously distributed to him or her which was attributable to the vested portion of such prior Accounts. Such repayment must be made prior to the earlier of the end of a Six-Year Break-in-Service or the sixth annual anniversary of his or her reemployment as an Employee. If he or she makes such repayment, the dollar amount previously forfeited from such prior Accounts, together with the dollar amount of the repayment, shall be restored, as of the last day of the Plan Year in which he or she makes the repayment, to new Accounts (of the same types as the ones from which he or she suffered the forfeiture and received the distribution) established for him or her under the Plan.

8.4.2 If a former Participant who ceased to be an Employee and forfeited a portion but not all of his or her Matching Account is rehired as an Employee after incurring a Six-Year Break-in-Service but before receiving the full vested portion of all of his or her Accounts, his or her Matching Account shall be renamed as the "Prior Matching Account," shall at all future times only reflect the then remaining vested balance therein and Trust earnings and income which become allocable thereto, and shall be fully vested at all subsequent times. A new Matching Account, to which future Matching Contributions can be allocated and which shall be subject to the general vesting provisions of the Plan, shall be established for the rehired Participant.

8.5 SOURCE OF RESTORALS. The restorals required under Section 8.4 above for any Plan Year shall, to the extent indicated in Section 8.6 below, be made from forfeitures arising in such Plan Year. If the amount of such forfeitures are insufficient to make all such required restorals, then the amount of such required restorals shall be made from a special contribution paid by the Employer to the Trust. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 above or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

8.6 APPLICATION OF FORFEITURES. Any amount of forfeitures arising under the Plan during a Plan Year: (1) shall first be allocated to make all restorals of Accounts required under

the provisions of Section 8.4 above; (2) shall second, to the extent any such forfeitures still remain after such first step, be allocated to correct any inadvertent errors made in crediting amounts to Accounts and to make all restorals of Accounts required under the provisions of Section 10.2 below; (3) shall third, to the extent any such forfeitures still remain after such two steps, be used to reduce and be substituted in place of the amount of Matching Contributions otherwise required for the subject Plan Year under the provisions of Section 5.1.3 above; and (4) shall fourth, to the extent any such forfeitures still remain after such three steps, be allocated among the Matching Accounts of those Participants who are otherwise entitled to receive an allocation of Matching Contributions for the subject Plan Year in the same manner as the Matching Contributions of the Employer are allocated for such Plan Year and in addition to such Matching Contributions.

SECTION 8A

FORM OF DISTRIBUTION OF SAVINGS, ROLLOVER, AND MATCHING ACCOUNTS

8A.1 SECTION APPLIES ONLY TO SAVINGS, ROLLOVER, AND MATCHING ACCOUNTS. This Section 8A provides rules as to the form (except for the time of payout, which is provided for in Section 8 above) of a Participant's retirement benefit under the Plan with respect to the part of such benefit attributable to the Savings Account, Rollover Account, and Matching Account of the Participant (which part of such benefit is referred to in this Section 8A as the Participant's "Savings Benefit"). Section 8B below provides the rules as to such form with respect to the part of the retirement benefit attributable to any Retirement Income Account of the Participant.

8A.2 NORMAL FORM OF SAVINGS BENEFIT -- LUMP SUM PAYMENT. Subject to the other provisions of the Plan, a Participant's Savings Benefit shall be distributed in the form of a lump sum payment. The amount of the lump sum payment shall be equal to the vested balances in the Participant's Savings, Rollover, and Matching Accounts, determined as of the date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 8A.2, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Savings and Matching Accounts then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 8A.2, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balances of the portion of the Participant's Savings, Rollover, and Matching Accounts which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 8A.2, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balances of the Participant's Savings and Matching Accounts as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

8A.3 OPTIONAL ANNUITY FORM OF BENEFIT RULES. Subject to the other provisions of the Plan, a Participant may elect to receive his or her Savings Benefit in an Annuity form instead of the normal form set forth in Section 8A.2 above (or to have part of his or her Savings Benefit paid in an Annuity form and the remainder paid in the normal form set forth in Section 8A.2 above). Such an election must be made on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the benefit is payable under the

provisions of Section 8.1 above. If the Participant elects to receive his or her Savings Benefit (or part of such benefit) in an Annuity form, the specific type of Annuity in which such benefit shall be paid is determined under the provisions of Sections 8A.4, 8A.5, and 8A.6 below. In addition, the election to pay a Savings Benefit (or part of such benefit) in an Annuity form is subject to the following provisions:

8A.3.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balances in the Participant's Savings, Rollover, and Matching Accounts (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution), or the part of such vested balances which the

Participant elects to have distributed in an Annuity form, to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant. The purchase of such Annuity shall be made on behalf of the Participant as a part of the Plan's administrative procedures. If the Participant receives a benefit under Section 8B below in the same Annuity form as he or she receives his or her Savings Benefit (or any part thereof), the Committee may choose to purchase one Annuity contract to provide both such benefits.

8A.3.2 Any Annuity contract shall be purchased and distributed on an immediate basis (I.E., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balances of the Participant's Savings, Rollover, and Matching Accounts shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

8A.3.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the part of the Participant's Savings, Rollover, and Matching Accounts which is due the Participant and is being paid in the form of an Annuity.

8A.3.4 Notwithstanding any other provision of the Plan to the contrary, the applicable Participant may not elect to receive his or her Savings Benefit (or any part of such benefit) in an Annuity form if the value of such benefit (or such part) at the time it is determined for distribution purposes, when added to the value of any benefit under Section 8B below which the Participant also is to receive in an Annuity form, is $3,500 or less. Instead, in such case such benefit shall be distributed in a lump sum payment in accordance with the provisions of Section 8A.2 above.

8A.3.5 If a Participant elects to receive part but not all of his or her Savings Benefit in the form of an Annuity, then, for purposes of the provisions of Sections 8A.4, 8A.5, and 8A.6 below, any reference in such sections to a Participant's Savings Benefit shall be read to refer only to the part of such benefit which the Participant elects to receive in the form of an Annuity.

8A.4 NORMAL FORM OF ANNUITY BENEFIT.

8A.4.1 Subject to the other terms of the Plan, if a Participant elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above and he or she is not married as of the date payments under the Annuity are to begin being paid, then such benefit shall be paid in the form of a Single Life Annuity.

8A.4.2 Subject to the other terms of the Plan, if a Participant elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above and he or she is married as of the date payments under the Annuity are to begin being paid, then such benefit shall be paid in the form of a Qualified Joint and Survivor Annuity.

8A.5 ELECTION OUT OF NORMAL ANNUITY FORM.

8A.5.1 A Participant who elects to receive his or her Savings Benefit in an Annuity form under the provisions of Section 8A.3 above may elect to waive the normal Annuity form in which such benefit shall otherwise be paid under Section 8A.4 above and instead to have such benefit paid in any specific optional Annuity form permitted him or her under Section 8A.6 below, provided: (1) such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Savings Benefit is otherwise distributed in the absence of this election and within the 90 day period ending on the date on which his or her Savings Benefit is distributed; and (2) for a Participant who is married on the date as of which his or her Savings Benefit commences under the Annuity form, the person who is the Spouse of the Participant on such date consents, in writing to a Plan representative, to such election within the same 90 day period, with the

Spouse's consent acknowledging the effect of such consent and being witnessed by a notary public. Any such Spouse's consent shall be irrevocable once received by a Plan representative.

8A.5.2 Notwithstanding the provisions of clause (2) in Section 8A.5.1 above, a consent of a Spouse shall not be required for purposes of Section 8A.5.1 above if it is established to the satisfaction of a Plan representative that the otherwise required consent cannot be obtained because the Plan representative reasonably determines no Spouse exists, because the Spouse cannot reasonably be located, or because of such other circumstances as the Secretary of the Treasury or his or her delegate allows in regulations.

8A.5.3 The Participant may amend or revoke his or her election of an optional Annuity form under this Section 8A.5 by written notice filed with a Plan representative at any time before his or her Savings Benefit is processed for distribution to him or her under the Plan; provided that if the Participant attempts upon such an amendment to elect another Annuity form of payment different than the normal Annuity form applicable to him or her, the conditions of Sections 8A.5.1 and 8A.5.2 above must be satisfied as if such amendment were a new election.

8A.6 OPTIONAL ANNUITY FORMS. A Participant who elects to receive his or her Savings Benefit in an Annuity form may elect to receive such benefit, in lieu of the normal Annuity form otherwise payable under Section 8A.4 above and provided all of the election provisions of Section 8A.5 above are met, in any of the following Annuity forms: (1) a Single Life Annuity (which is an optional Annuity form only for a Participant who is married on the date as of which his or her Savings Benefit is distributed to him); (2) a Life and Ten Year Certain Annuity; (3) a Full Cash Refund Annuity; or (4) a Period Certain Annuity.

8A.7 ANNUITY DEFINITIONS. For purposes of this Section 8A, the following Annuity definitions apply:

8A.7.1 "Single Life Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life and end with the last monthly payment due for the month in which the Participant dies.

8A.7.2 "Qualified Joint and Survivor Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and after his or her death monthly survivor payments continue to the person who is the Spouse of the Participant on the date as of which payments under the Annuity begin being paid to the Participant (provided such person survives the Participant) for such person's life. Each monthly survivor payment to such person is equal in amount to 50% (or, if the Participant so elects in writing to the applicable Plan representative within the 90 day period ending on the date on which payments under the Annuity begin being paid, 66-2/3%, 75%, or 100%) of the monthly payment amount made during the life of the Participant under the same Annuity.

8A.7.3 "Life and Ten Year Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and such payments end with the payment due for the month in which the Participant dies if at least 120 monthly payments have been made on behalf of the Participant. If not, the monthly payments continue after the Participant's death to a contingent beneficiary until 120 monthly payments have been made, when aggregated, to the Participant and the contingent beneficiary. The Participant shall name the contingent beneficiary in his or her election of this form.

8A.7.4 "Full Cash Refund Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life and end with the last payment due for the month in which the Participant dies. Further, if the cost of such Annuity exceeds the total of all monthly payments made under the Annuity through the month in which the Participant dies, then the amount of such excess shall be paid to a contingent beneficiary. The Participant shall name the contingent beneficiary for purposes of such Annuity in his or her election of this form.

8A.7.5 "Period Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for a certain number of

months (the "period certain") and end with the payment for the last month in such period certain. If the Participant

dies before the end of the period certain, then the monthly payments due for the remaining months in the period certain after the month of the Participant's death shall be paid to a contingent beneficiary. The Participant shall specify the period certain to be used and name the contingent beneficiary in his or her election of this form. The period certain may be of any number of months, provided it is not less than 36 months and not more than 180 months.

SECTION 8B

FORM OF DISTRIBUTION OF RETIREMENT INCOME ACCOUNTS

8B.1 SECTION APPLIES ONLY TO RETIREMENT INCOME ACCOUNTS. This Section 8B provides rules as to the form (except for the time of payout, which is set forth in Section 8 above) of a Participant's retirement benefit under the Plan with respect to the part of such benefit attributable to any Retirement Income Account of the Participant (which part of such benefit is referred to in this Section 8B as the Participant's "Profit Sharing Benefit"), if any. Section 8A above provides the rules as to such form with respect to the part of the retirement benefit attributable to any Savings, Rollover, and Matching Accounts of the Participant (which part of such benefit is referred to in this Section 8B as the Participant's "Savings Benefit").

8B.2 NORMAL FORM OF PROFIT SHARING BENEFIT -- QUALIFIED ANNUITY FORMS.

8B.2.1 Subject to the other terms of the Plan, if a Participant is not married as of the date payment of his or her Profit Sharing Benefit is to commence, then such benefit shall be paid in the form of a Single Life Annuity.

8B.2.2 Subject to the other terms of the Plan, if a Participant is married as of the date payment of his or her Profit Sharing Benefit is to commence, then such benefit shall be paid in the form of a Qualified Joint and Survivor Annuity.

8B.3 ELECTION OUT OF NORMAL FORM.

8B.3.1 A Participant may elect to waive the normal form in which his or her Profit Sharing Benefit shall otherwise be paid under Section 8B.2 above and instead to have such benefit (or any part of such benefit) paid in any specific optional form permitted him or her under Section 8B.4 below, provided: (1) such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Profit Sharing Benefit is distributed in the absence of this election and within the 90 day period ending on the date on which his or her Profit Sharing Benefit is distributed or paid; and (2) for a Participant who is married on the date as of which his or her Profit Sharing Benefit commences or is paid,

the person who is the Spouse of the Participant on such date consents, in writing to a Plan representative, to such election within the same 90 day period, with the Spouse's consent acknowledging the effect of such consent and being witnessed by a notary public. Any such Spouse's consent shall be irrevocable once received by a Plan representative.

8B.3.2 Notwithstanding the provisions of clause (2) in Section 8B.3.1 above, a consent of a Spouse shall not be required for purposes of Section 8B.3.1 above if it is established to the satisfaction of a Plan representative that the otherwise required consent cannot

be obtained because the Plan representative reasonably determines no Spouse exists, because the Spouse cannot reasonably be located, or because of such other circumstances as the Secretary of the Treasury or his or her delegate allows in regulations.

8B.3.3 The Participant may amend or revoke his or her election of an optional form under this Section 8B.3 by written notice filed with a Plan representative at any time before his or her Profit Sharing Benefit is processed for distribution to him or her under the Plan; provided that attempts upon such an amendment to elect another form of payment different than the normal form applicable to him or her, the conditions of Sections 8B.3.1 and 8B.3.2 above must be satisfied as if such amendment were a new election.

8B.4 REGULAR OPTIONAL FORMS.

8B.4.1 Provided all of the election provisions of Section 8B.3 above are met, a Participant may elect to receive his or her Profit Sharing Benefit in any of the following forms instead of the normal form otherwise payable under Section 8B.2 above (or to have part of his or her Profit Sharing Benefit paid in any of the following forms and the remainder paid in the normal form otherwise payable under Section 8B.2 above):

(a) A Single Life Annuity (which is an optional form only for a Participant who is married on the date as of which his or her Profit Sharing Benefit commences to be paid to him);

(b) A Life and Ten Year Certain Annuity;

(c) A Full Cash Refund Annuity;

(d) A Period Certain Annuity; or

(e) A lump sum payment. The amount of the lump sum payment shall be equal to the vested balance of the Participant's Retirement Income Account, determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this paragraph (e), the "subject valuation date"), or the part of such vested balance which the Participant elects to have distributed in a lump sum payment form, as the case may be. Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this paragraph (e), "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the

subject valuation date by the closing price (for purposes of this paragraph (e), the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded

which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

8B.5 ANNUITY FORM OF BENEFIT RULES. If a Participant's Profit Sharing Benefit is paid in any Annuity form under the provisions of this Section 8B, such Annuity form shall be subject to the following provisions:

8B.5.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balance in the Participant's Retirement Income Account (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution), or the part of such vested balance which is to be distributed in an Annuity form, to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant. The purchase of such Annuity shall be made on behalf of the Participant as a part of the Plan's administrative procedures. If the Participant receives his or her Savings Benefit (or any part thereof) under Section 8A above in the same Annuity form as he or she receives his or her Profit Sharing Benefit (or any part thereof), the Committee may choose to purchase just one Annuity contract to provide both such benefits.

8B.5.2 Any Annuity contract shall be purchased and distributed on an immediate basis (I.E., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested portion of the Participant's Retirement Income Account shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

8B.5.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the part of the Participant's Retirement Income Account which is due the Participant and is being paid in the form of an Annuity.

8B.6 ANNUITY DEFINITIONS. For purposes of this Section 8B, a "Single Life Annuity," "Qualified Joint and Survivor Annuity," "Life and Ten Year Certain Annuity," "Full Cash Refund Annuity," and "Period Certain Annuity" shall have the same meanings as are set forth for such terms in Section 8A.7 above.

8B.7 REQUIRED LUMP SUM FORM FOR SMALL PROFIT SHARING BENEFIT. Notwithstanding any other provision of the Plan to the contrary, a Participant shall automatically receive his or her

Profit Sharing Benefit in the form of a lump sum payment (and not in any Annuity form) unless the value of such benefit at the time it is processed for distribution, when added to the value of any benefit under Section 8A above which the Participant elects to receive in an Annuity form, is in excess of $3,500. The amount of the lump sum payment shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 8B.7, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of his or her Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 8B.7, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 8B.7, the

"subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

SECTION 9

DISTRIBUTIONS ON ACCOUNT OF DEATH

9.1 DISTRIBUTION OF DEATH BENEFIT. If a Participant dies, whether while employed by the Employer or after such employment has ceased, prior to having a retirement benefit paid (or at least commence to be paid) to him or her under the provisions of Sections 8, 8A, and/or 8B above, the Participant's beneficiary shall be entitled to receive a death benefit under the Plan. Such death benefit, regardless of the form of payment, is payable solely from and attributable to the vested portions of the Participant's Accounts.

9.2 TIME OF DEATH BENEFIT. Subject to the provisions of Section 9A below, any death benefit payable under Section 9.1 above on behalf of a Participant shall be distributed within a reasonable administrative period after the Employer or the Committee receives notice of the Participant's death (and in no event, subject only to the Employer or the Committee receiving notice of the death, shall such benefit be distributed later than December 31 of the calendar year next following the calendar year in which the Participant died).

9.3 NORMAL FORM OF DEATH BENEFIT -- LUMP SUM PAYMENT. Subject to the provisions of Section 9A below and the other provisions of this Section 9, any death benefit payable under Section 9.1 above on behalf of a Participant shall be distributed in the form of a lump sum payment. The amount of the lump sum payment shall be equal to the vested balances of the Participant's Accounts determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 9.3, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Participant's beneficiary may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of the Participant's Accounts then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9.3, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balances of the portion of the Participant's Accounts which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9.3, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balances of the Participant's Accounts as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9.4 OPTIONAL ANNUITY FORM OF DEATH BENEFIT RULES. Subject to Section 9A below and the other provisions of this Section 9, a Participant's beneficiary who is entitled to a death benefit payable under Section 9.1 above on behalf of the Participant may elect to receive such death benefit in either a Single Life Annuity, a Life and Ten Year Certain Annuity, a Full Cash Refund Annuity, or a Period Certain Annuity, instead of the normal form set forth in Section 9.3 above. Such an election must be made on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the death benefit is processed for payment under the provisions of Section 9.2 above. In addition, the election to pay a death benefit in an optional Annuity form is subject to the following provisions:

9.4.1 The distribution of any Annuity shall be effected by the application of an amount equal to the vested balances of the Participant's Accounts (determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution) to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant's beneficiary. The purchase of such Annuity shall be made on behalf of the Participant's beneficiary as a part of the Plan's administrative procedures.

9.4.2 Any Annuity contract shall be purchased and distributed on an immediate basis (I.E., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balances of the Participant's Accounts shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

9.4.3 The distribution of an Annuity contract hereunder shall, for all purposes of the Plan, be deemed to constitute the full distribution of the death benefit which is due the Participant's beneficiary.

9.4.4 Notwithstanding any other provisions of the Plan to the contrary, the applicable beneficiary may not elect to receive the death benefit due to be paid hereunder in an optional Annuity form if the value of such death benefit at the time it is to be distributed is $3,500 or less. Instead, in such case such benefit shall be distributed in a lump sum payment in accordance with the provisions of Section 9.3 above.

9.5 ANNUITY DEFINITIONS. For purposes of this Section 9, the following Annuity definitions apply:

9.5.1 "Single Life Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant's beneficiary for the beneficiary's life and end with the last monthly payment due for the month in which the beneficiary dies.

9.5.2 "Life and Ten Year Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant's beneficiary for the beneficiary's life,

and such payments end with the last monthly payment due for the month in which the beneficiary dies if at least 120 monthly payments have been made on behalf of the beneficiary. If not, the monthly payments continue after the beneficiary's death to a contingent beneficiary until 120 monthly payments have been made, when aggregated, to the beneficiary and the contingent beneficiary. The beneficiary shall name the contingent beneficiary in his or her election of this form.

9.5.3 "Full Cash Refund Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant's beneficiary for the

beneficiary's life and end with the last monthly payment due for the month in which the beneficiary dies. Further, if the cost of such Annuity exceeds the total of all monthly payments made under the Annuity through the month in which the beneficiary dies, then the amount of such excess shall be paid to a contingent beneficiary. The beneficiary shall name the contingent beneficiary for purposes of such Annuity in his or her election of this form.

9.5.4 "Period Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant's beneficiary for a certain number of months (the "period certain") and end with the payment for the last month in such period certain. If the beneficiary dies before the end of the period certain, then the monthly payments due for the remaining months in the period certain after the month of the beneficiary's death shall be paid to a contingent beneficiary. The beneficiary shall specify the period certain to be used and name the contingent beneficiary in his or her election of this form. The period certain may be of any number of months, provided it is not less than 36 months and not more than 180 months.

9.6 DESIGNATION OF BENEFICIARY. Subject to the provisions of Section 9A below, a Participant's beneficiary for purposes of the Plan shall be deemed to be the surviving Spouse of the Participant. The Participant may designate a different beneficiary on a form or writing prepared or approved by the Committee and filed with a Plan representative. Such a designation is not effective, however, unless (1) no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which warrant the disregarding of any need for spousal consent to the designated beneficiary) or the Spouse irrevocably consents to the different beneficiary before the Participant's death, (2) the subject form is filed with a Plan representative prior to the Participant's death, and (3) the designated beneficiary survives the death of the Participant. Such different beneficiary may consist of one or more persons, trusts, or estates. The Participant may amend or revoke such designation at any time prior to his or her death on a form or writing prepared or approved by the Committee and filed (prior to his or her death) with a Plan representative, provided that any designation of a beneficiary other than his or her Spouse shall only be effective if such designation meets all of the conditions of the second sentence of this Section 9.6. Any consent of a Spouse required hereunder must be made in writing, acknowledge the effect of such consent, and be witnessed by a notary public. If the Committee determines that the Participant is not survived by a Spouse or other properly

designated beneficiary, the Participant's beneficiary for purposes of the Plan shall be deemed to be the estate of the Participant.

SECTION 9A

SPECIAL SPOUSAL DEATH BENEFIT DISTRIBUTION RULES FOR RETIREMENT INCOME ACCOUNTS

9A.1 SECTION APPLIES ONLY TO RETIREMENT INCOME ACCOUNTS. This Section 9A provides special rules as to the form and time of payment and the designation

of beneficiary with respect to the part (if any) of any death benefit payable under Section 9 above on behalf of a Participant which is attributable to the Participant's Retirement Income Account (which part of such benefit is referred to in this Section 9A as the Participant's "Profit Sharing Death Benefit") when (and only when) the Participant's beneficiary for purposes of such Profit Sharing Death Benefit is the Participant's Spouse. To the extent the provisions of this Section 9A apply, such provisions shall govern the payment of the Participant's Profit Sharing Death Benefit, and the provisions of Section 9 above shall apply only to the part of the death benefit otherwise described in Section 9 above which is attributable to the Participant's Savings, Rollover, and Matching Accounts (with such part being referred to in this Section 9A as the Participant's "Savings Death Benefit" and with any reference to the Accounts of the Participant contained in such Section 9 above being read to refer only to the Participant's Savings and Matching Accounts).

9A.2 TIME OF PROFIT SHARING DEATH BENEFIT. If the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit is his or her Spouse, then the Participant's Profit Sharing Death Benefit shall be distributed to his or her Spouse within a reasonable administrative period after the later of the date the Employer or the Committee receives notice of the Participant's death or the date the Spouse provides a written consent to payment of such benefit (except that in no event, subject only to the Employer or the Committee receiving notice of the death, shall such benefit be distributed later than December 31 of the later of the calendar year next following the calendar year in which the Participant died or the calendar year in which the Participant would have attained age 70-1/2 had he or she survived).

9A.3 NORMAL FORM OF PROFIT SHARING DEATH BENEFIT. If the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit is his or her Spouse, then, subject to the other terms of this Section 9A, such Profit Sharing Death Benefit shall be paid to the Spouse in the form of a Single Life Annuity.

9A.4 ELECTION OUT OF NORMAL FORM. If the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit in the form of a Single Life Annuity under Section 9A.3 above, the Spouse may instead elect to waive such Single Life Annuity form and have such benefit paid in any specific optional form permitted the Spouse under Section 9A.5 below, provided such election is made in writing to a Plan representative (on a form or writing prepared or approved by the Committee) both prior to the date on which the Profit Sharing Death Benefit is otherwise processed for distribution in the absence of this election and within the 90 day period ending on the date on which the Profit Sharing Death Benefit is distributed. The Spouse may amend or revoke his or her election of an optional form under this Section 9A.4 by written

notice filed with a Plan representative at any time before the Profit Sharing Death Benefit is processed for distribution to him or her under the Plan.

9A.5 OPTIONAL FORMS. If the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit in the form of a Single Life Annuity under Section 9A.3 above, the Spouse may elect to receive such benefit, in lieu of the Single Life Annuity form and provided all of the election provisions of Section 9A.4 above are met, in any of the following forms:

9A.5.1 A Life and Ten Year Certain Annuity;

9A.5.2 A Full Cash Refund Annuity;

9A.5.3 A Period Certain Annuity; or

9A.5.4 A lump sum payment. The amount of the lump sum payment shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 9A.5.4, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Spouse may elect, on a form or writing prepared or

approved by the Committee and filed with a Plan representative prior to the date the payment is processed, that the payment is to be made partly in the form of common shares of Federated if a portion of the Participant's Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9A.5.4, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9A.5.4, the "subject closing price") of a Federated common share on the latest trading day of the largest securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9A.6 ANNUITY FORM OF BENEFIT RULES. If a Participant's Profit Sharing Death Benefit is paid in any Annuity form to the Participant's Spouse under the provisions of this Section 9A, such Annuity form shall be subject to the following provisions:

9A.6.1 The distribution of any Annuity under the provisions of this Section 9A shall be effected by the application of an amount equal to the vested balance of the Participant's Retirement Income Account (determined as of a date which is reasonably chosen

by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution) to the purchase of a nontransferable Annuity contract providing the applicable type of Annuity form from an insurance company selected by the Committee and the subsequent forwarding of such contract to the Participant's Spouse. The purchase of such Annuity shall be made on behalf of the Participant's Spouse as a part of the Plan's administrative procedures. If the Spouse receives the Savings Death Benefit under Section 9 above in the same Annuity form as he or she receives the Participant's Profit Sharing Death Benefit, the Committee may choose to purchase just one Annuity contract to provide both such benefits.

9A.6.2 Any Annuity contract provided under this Section 9A shall be purchased and distributed on an immediate basis (I.E., payments under the contract shall begin as of a date which coincides with or is within a reasonable administrative period after the date as of which such purchase is made). As a result, the vested balance of the Participant's Retirement Income Account shall be maintained in the Plan until just before the Annuity contract is to begin payments, at which time the contract shall be purchased.

9A.6.3 The distribution of an Annuity contract under this Section 9A shall, for all purposes of the Plan, be deemed to constitute the full distribution of the benefit attributable to the Participant's Profit Sharing Death Benefit which is due the Participant's Spouse.

9A.7 REQUIRED LUMP SUM FORM FOR SMALL PROFIT SHARING DEATH BENEFIT. Notwithstanding any other provision of the Plan to the contrary, if the Spouse of a Participant is entitled to receive the Participant's Profit Sharing Death Benefit under the provisions of this Section 9A, then the Spouse shall automatically receive such benefit in the form of a lump sum payment (and not in any Annuity form) if the value of such benefit at the time it is processed for distribution, when added to the value of any portion of the Savings Death Benefit which is payable to the Spouse and which the Spouse elects to receive in an Annuity form, is $3,500 or less. The amount of the lump sum payment shall be equal to the vested balance in the Participant's Retirement Income Account determined as of a date which is reasonably chosen by the Committee or a Committee representative to be sufficiently in advance of the distribution so as to allow the Committee time to process the distribution (for purposes of this Section 9A.7, the "subject valuation date"). Such lump sum payment shall be made in cash, except that the Spouse may elect, on a form or writing prepared or approved by the Committee and filed with a Plan representative prior to the date the payment is made, that the payment is to be made partly in the form of common

shares of Federated if a portion of the Participant's Retirement Income Account then is invested in the Investment Fund described in Section 6B above as Fund F (for purposes of this Section 9A.7, "Fund F"). If such election is made, then such lump sum payment will consist of: (1) to the extent sufficient Federated common shares are available under Fund F, Federated common shares equal to the quotient produced by dividing the vested balance of the portion of the Participant's Retirement Income Account which is invested in Fund F as of the subject valuation date by the closing price (for purposes of this Section 9A.7, the "subject closing price") of a Federated common share on the latest trading day of the largest

securities market in which Federated common shares are traded which occurs on or before the subject valuation date; and (2) cash equal to the difference between the total vested balance of the Participant's Retirement Income Account as of the subject valuation date and the value of the Federated common shares being distributed in the payment (as determined on the basis of the subject closing price of a Federated common share).

9A.8 ANNUITY DEFINITIONS. For purposes of this Section 9A, a "Single Life Annuity," "Life and Ten Year Certain Annuity," "Full Cash Refund Annuity," and "Period Certain Annuity" shall have the same meanings as are set forth for such terms in Section 9.5 above; except that any reference to a "beneficiary" contained in each such section shall be read for purposes of this Section 9A to refer to a "Spouse."

9A.9 DESIGNATION OF BENEFICIARY. The Spouse of a Participant shall automatically be deemed to be the beneficiary of the Participant's Profit Sharing Death Benefit, unless no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which would warrant the disregarding of any need of a spousal consent to a different beneficiary if one had been attempted to be named by the Participant). If no Spouse survives the death of the Participant (or it is established to the satisfaction of a Plan representative that no Spouse survives such death, the Spouse cannot reasonably be located, or there exist other circumstances prescribed by the Secretary of the Treasury or his or her delegate which would warrant the disregarding of any need for a spousal consent to a different beneficiary if one had been attempted to be named by the Participant), the Participant's beneficiary for purposes of his or her Profit Sharing Death Benefit shall be deemed to be the same as his or her beneficiary determined under Section 9.6 above.

SECTION 10

ADDITIONAL DISTRIBUTION PROVISIONS

10.1 ALLOCATION OF CONTRIBUTIONS AFTER DISTRIBUTION. Notwithstanding any provision of the Plan to the contrary, any contributions which are allocated to any Account of a Participant as of a date which is on or prior to the date of a complete distribution of the vested balance of such Account to the Participant (or his or her beneficiary) under Sections 8, 8A, 8B, 9, and/or 9A above but which are actually paid to the Trust after the date such distribution is

processed and any contributions which both are allocated to such Account and actually paid to the Trust after the date such distribution is processed (such contributions being referred to under this Section 10.1 in either case as "late contributions") shall be disregarded in the determination of the amount of the vested balance of such Account to be distributed. Instead, subject to the other provisions of the Plan, any late contributions (to the extent the Participant is vested in such amounts under the other provisions of the Plan) shall be paid within a reasonable administrative period after they are actually paid to the Trust to the Participant (or, if the Participant dies before such payment, to the appropriate beneficiary of the Participant under the other provisions of the Plan) in the same type of Annuity form as is being paid to the Participant (or beneficiary) immediately prior to the payment of the late contributions (if the prior distribution was made in the form of an Annuity under the other provisions of the Plan) or in a form of benefit which is in accordance with the other provisions of the Plan concerning benefit forms and assuming for such purpose that such late contributions were the sole retirement benefit applicable to the Participant (if the prior distribution was not made in any type of Annuity form).

10.2 DETERMINATION OF PROPER PARTY FOR DISTRIBUTION AND FORFEITURE WHEN PROPER PARTY CANNOT BE LOCATED. The facts as shown by the records of the Committee at the time of any payment due under the Plan shall be conclusive as to the proper payee and of the amounts properly payable, and payment made in accordance with such state of facts shall constitute a complete discharge of any and all obligations under the Plan. If a Participant (or a person claiming through him) who is entitled to a benefit hereunder cannot reasonably be located, then such benefit may, in the discretion of the Committee, continue to be held for the Participant or may be forfeited. If, however, such benefit is forfeited but the lost Participant (or person claiming through him) thereafter makes a claim for the amount previously forfeited hereunder, such benefit shall be restored and paid to the proper party (without any interest credited on the previously forfeited benefit) within a reasonable administrative period thereafter. The restorals required under this Section 10.2 shall, to the extent provided in Section 8.6 above, be made from forfeitures arising in such Plan Year. If the amount of such forfeitures are insufficient to make all such required restorals, then the amount of such required restorals shall be made from a special contribution paid by the Employer to the Trust. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 above or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

10.3 REEMPLOYED PARTICIPANT. Notwithstanding any other provision of the Plan to the contrary, if a Participant in this Plan who ceased to be an Employee and became thereby entitled to the distribution of all or any part of his or her Plan Accounts resumes employment as an Employee prior to his or her Required Commencement Date, the Committee shall then direct the Trustee to postpone or cease distribution of such Accounts, to the extent such action is administratively possible (E.G., no Annuity contract has been purchased or lump sum payment made), until the Participant's later termination of employment (or, if earlier, his or her Required Commencement Date).

10.4 NONALIENATION OF BENEFITS. To the extent permitted by law, no benefit payable under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, encumbrance, or charge, whether voluntary or involuntary, nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such benefit. The Committee shall, however, adopt procedures to allow benefits to be assigned in connection with qualified domestic relations orders (as defined in and in accordance with the provisions of Section 206(d) of ERISA and Section 414(p) of the Code). In this regard, the Plan shall permit a lump sum cash payment to be made at any time to a Participant's alternate payee (as also is defined in ERISA Section 206(d) and Code Section 414(p)) if directed by a qualified domestic relations order, even if the Participant has not yet ceased to be an Employee and has not attained his or her earliest retirement date (again as defined in ERISA Section 206(d) and Section 414(p) of the Code). Further, the Plan shall permit any such alternate payee to have the same rights to direct the investment of any part of any Account which is held under the Plan on behalf of the alternate payee pursuant to a qualified domestic relations order as a Participant would have.

10.5 INCOMPETENCY. Every person receiving or claiming benefits under

the Plan shall be conclusively presumed to be mentally or legally competent and of age until the date on which the Committee receives written notice that such person is incompetent or a minor for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because he or she is incompetent or is a minor, any payment due (unless a prior claim therefor has been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother, or a sister of such person, or to any person or institution deemed by the Committee to have incurred expense for such person. If a guardian of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Committee. Any payment made pursuant to this Section 10.5 shall be a complete discharge of liability therefor under the Plan.

10.6 LEGAL DISTRIBUTION LIMITS. Notwithstanding any other provision of this Plan to the contrary, any payment of a retirement or death benefit in any form must meet and be in accordance with the distribution requirements of Section 401(a)(9) of the Code (as amended by the Federal Small Business Job Protection Act of 1996), including the incidental death benefit

requirements which are referred to in such section, and such section is hereby incorporated by reference into this Plan.

10.7 DISTRIBUTION FORM NOTICES. The Plan shall provide a Participant (or a beneficiary) with notices as to the forms in which he or she may receive any retirement (or death) benefit to which he or she is entitled at such times as shall allow the person to make a choice among his or her options. In this regard, the Plan shall provide any written explanations to a Participant (or a beneficiary) under Code Section 417(a)(3) to the extent such explanations apply to the Participant. Further, if any distribution to a Participant made under the Plan is one to which Code Sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required under Treas. Reg. Section 1.411(a)-11(c) is given, provided that: (1) the Participant is clearly informed that he or she has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option); and (2) the Participant, after receiving the notice, affirmatively elects a distribution. In addition, to the extent any distribution to a Participant made under the Plan is one to which Code Sections 401(a)(11) and 417 apply, such distribution may commence less than 30 days after the notice required under Treas. Reg. Section 1.411(a)-11(c) is given, and the date as of which such distribution is made may be less than 30 days after any written explanation required by Code Section 417(a)(3) to be given the Participant is so provided, if the requirements of Treas. Reg. Section 1.417(e)-1T(b)(3) are met.

10.8 DIRECT ROLLOVER DISTRIBUTIONS.

10.8.1 This Section 10.8 applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 10.8, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution otherwise payable to him or her paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

10.8.2 For purposes of this Section 10.8, the following terms shall have the meanings indicated below:

(a) An "eligible rollover distribution" means, with respect to any distributee, any distribution of all or any portion of the entire benefit otherwise payable under the Plan to the distributee, except that an eligible rollover distribution does not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or

more; (2) any distribution to the extent such distribution is required to be made under Section 401(a)(9) of the Code; and (3) the portion of any distribution that is not includable in gross income of the distributee for purposes of Federal income tax.

(b) An "eligible retirement plan" means, with respect to any distributee's eligible rollover distribution, an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a distributee who is a distributee by reason of being the surviving spouse of a Participant, an "eligible retirement plan" means only an individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code.

(c) A "distributee" means a Participant. In addition, a Participant's surviving spouse, or a Participant's spouse or former spouse who is the alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code), is a distributee with regard to any interest of the Participant which becomes payable under the Plan to such spouse or former spouse.

(d) A "direct rollover" means, with respect to any distributee, a payment by the Plan to an eligible retirement plan specified by the distributee.

10.8.3 The Committee may prescribe reasonable rules in order to provide for the Plan to meet the provisions of this Section 10.8. Any such rules shall comply with the provisions of Code Section 401(a)(31) and any applicable Treasury regulations which are issued with respect to the direct rollover requirements. For example, subject to meeting the provisions of Code Section 401(a)(31) and applicable Treasury regulations, the Committee may: (1) prescribe the specific manner in which a direct rollover will be made by the Plan, whether by wire transfer to the eligible retirement plan, by mailing a check to the eligible retirement plan, by providing the distributee a check made payable to the eligible retirement plan and directing the distributee to deliver the check to the eligible retirement plan, and/or by some other method; (2) prohibit any direct rollover of any eligible rollover distributions payable during a calendar year to a distributee when the total of such distributions is less than $200; or (3) refuse to make a direct rollover of an eligible rollover distribution to more than one eligible retirement plan.

10.9 DISTRIBUTION RESTRICTIONS. No withdrawal or distribution of any portion of a Participant's Accounts may be distributed unless such withdrawal or distribution is authorized by another provision of this Plan. In addition, and notwithstanding any other provision of this Plan to the contrary, in no event may any amount held under the Plan which is attributable to the Participant's Pre-Tax Savings Contributions under this Plan be distributed earlier than (1) the Participant's separation from service from the Employer and the Affiliated Employers, death, or Total Disability, (2) the Participant's attainment of age 59-1/2, (3) the hardship of the Participant (determined under the other provisions of the Plan), or (4) any event described in Section 401(k)(10) of the Code (E.G., a lump sum payment made by reason of the termination of the Plan without the establishment or maintenance of another defined contribution plan other than an employee stock ownership plan, the disposition by the Employer of substantially all of its assets used by it in a trade or business when the Participant continues employment with the

corporation acquiring such assets, or the disposition by the Employer of its interest in a subsidiary when the Participant continues employment with such subsidiary).

10.10 COVERAGE OF PRE-EFFECTIVE AMENDMENT DATE PARTICIPANTS. Except as is otherwise specifically provided in this Plan, the provisions of this Plan

only apply to persons who become Participants in this Plan under Section 3 above and to benefits which have not been paid prior to the Effective Amendment Date. However, any person who was a participant in one or more Prior Plans and, while never becoming a Participant in this Plan under Section 3 above, still had a nonforfeitable right to an unpaid benefit under the Prior Plans as of the date immediately preceding the Effective Amendment Date shall be considered a participant in this Plan to the extent of his or her interest in such benefit. The amount of such benefit, the form in which such benefit is to be paid, and the conditions (if any) which may cause such benefit not be paid shall, except as is otherwise specifically provided in this Plan or in the Prior Plans, be determined solely by the versions of the Prior Plans in effect at the time he or she retired or terminated employment with the Employer.

SECTION 11

NAMED FIDUCIARIES

Any person, committee, or entity which is designated or appointed under the Plan or the Trust (or under a procedure set forth in the Plan or the Trust) to have any responsibility for the control, management, or administration of this Plan or the assets thereof (each such fiduciary being hereinafter referred to individually as a "Named Fiduciary" and collectively as the "Named Fiduciaries") shall have only such powers and responsibilities as are expressed in the Plan or the Trust or are provided for in the procedure by which he or she or it is designated or appointed, and any power or responsibility for the control, management, or administration of the Plan or Trust Fund which is not expressly allocated to any Named Fiduciary, or with respect to which an allocation is in doubt, shall be deemed allocated to Federated. Each Named Fiduciary shall have no responsibility to inquire into the acts or omissions of any other Named Fiduciary in the exercise of powers or the discharge of responsibilities assigned to such other Named Fiduciary under the Plan.

Any Named Fiduciaries may, by agreement among themselves, allocate any responsibility or duty, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, assigned to a Named Fiduciary hereunder to one or more other Named Fiduciaries, provided, however, that any agreement respecting such allocation must be in writing and filed with the Committee for placement with the records of the Plan. No such agreement shall be effective as to any Named Fiduciary which is not a party thereto until such Named Fiduciary has received written notice of such agreement from the Named Fiduciaries involved. Any Named Fiduciary may, by written instrument filed with the Committee for placement with the records of the Plan, designate a person who is not a Named Fiduciary to carry out any of its responsibilities under the Plan, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, provided, however, that no such designation shall be effective as to any other Named Fiduciary until such other Named Fiduciary has received written notice thereof.

Any Named Fiduciary, or a person designated by a Named Fiduciary to perform any responsibility of a Named Fiduciary pursuant to the procedure described in the preceding paragraph, may employ one or more persons to render advice with respect to any responsibility such Named Fiduciary has under the Plan or such person has by reason of such designation. A person may serve the Plan in more than one fiduciary capacity and may be a Participant.

SECTION 12

ADMINISTRATIVE AND INVESTMENT COMMITTEE

12.1 APPOINTMENT OF COMMITTEE. The Board shall appoint the Committee, the members of which may be officers or other employees of the Employer or any other persons. The Committee shall be composed of not less than three nor more than 15 members, each of whom shall serve at the pleasure of the Board, and vacancies in the Committee arising by reason of resignation, death, removal, or otherwise shall be filled by the Board. Any member may resign of his or her own accord by delivering his or her written resignation to the Board.

12.2 GENERAL POWERS OF COMMITTEE.

12.2.1 The Committee shall administer the Plan, is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan, and is given complete discretionary authority to determine any person's eligibility for benefits under the Plan, to construe the terms of the Plan, and to decide any other matters pertaining to the Plan's administration. The Committee shall determine any question arising in the administration, interpretation, and application of the Plan, which determination shall be binding and conclusive on all persons. In the administration of the Plan, the Committee may: (1) employ or permit agents to carry out nonfiduciary and/or fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA), (2) provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members, and (3) limit to the extent it deems advisable the maximum percent of Compensation which a Participant who is then believed by the Committee to be a Highly Compensated Employee may elect to have contributed to the Plan as Pre-Tax Savings Contributions and/or After-Tax Savings Contributions for a specific Plan Year. Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

12.2.2 Further, the Committee shall administer the Plan and adopt such rules and regulations as in the opinion of the Committee are necessary or advisable to implement and administer the Plan and to transact its business. In performing their duties, the members of the Committee shall act solely in the interest of the Participants of the Plan and their beneficiaries and:

(a) for the exclusive purpose of providing benefits to Participants and their beneficiaries;

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of title I of ERISA.

12.2.3 Notwithstanding the foregoing provisions of this

Section 12.2, if the Committee cannot reasonably and economically determine or verify, with respect to an Employee or a class of Employees, service, compensation, date of hire, date of termination, or any other pertinent factor in the administration of the Plan, the Committee shall adopt, with respect to such Employee or class of Employees, reasonable and uniform assumptions regarding the determination of such factor or factors, provided that no such assumption shall (1) discriminate in favor of Highly Compensated Employees, (2) reduce or eliminate a protected benefit (within the meaning of Treas. Reg. Section 1.411(d)-4), or (3) operate to the disadvantage of such Employee or class of Employees.

12.2.4 Unless otherwise provided in the Trust, the Committee shall also establish guidelines with respect to the investment of all funds held by the Trustee under the Plan and to make or direct all investments pursuant thereto.

12.2.5 For purposes hereof, any party which has been authorized by the Plan or under a procedure authorized under the Plan to perform fiduciary and/or nonfiduciary administrative duties hereunder, whether such party is the Committee, Federated, an agent appointed or permitted by the Committee to carry out its duties, or otherwise, shall, when properly acting within the scope of his or her or its authority, sometimes be referred to in the Plan as a "Plan representative" or, if appointed by the Committee directly to be an agent thereof, a "Committee representative."

12.3 RECORDS OF PLAN. The Committee shall maintain or cause to be maintained records showing the fiscal transactions of the Plan, and shall keep or cause to be kept in convenient form such data as may be necessary for valuations of assets and liabilities of the Plan. The Committee shall prepare or have prepared annually a report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for the past Plan Year. In preparing this report, the Committee may rely on advice received from the Trustee or other persons or firms selected by it or may adopt a report on such matters prepared by the Trustee.

12.4 ACTIONS OF COMMITTEE. The Committee shall appoint a Chairman and a Secretary and such other officers, who may be, but need not be, members of the Committee, as it shall deem advisable. The Committee shall act by a majority of its members at the time in office, and any such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may by such majority action appoint subcommittees and may authorize any one or more of the members or any agent to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of the Committee. The Committee may provide for the allocation of responsibilities for the operation and maintenance of the Plan.

12.5 COMPENSATION OF COMMITTEE AND PAYMENT OF PLAN ADMINISTRATIVE AND INVESTMENT CHARGES. Unless otherwise determined by the Board, the members of the Committee shall serve without compensation for services as such. All expenses of administration of the Plan (excluding brokerage fees, expenses related to securities transactions, and any taxes on the assets held in the Trust Fund, which expenses shall only be payable out of the Trust Fund), including, without limitation, the fees and charges of the Trustee, any investment manager, any attorney, any accountant, any specialist, or any other person employed by the Committee or the Employer in the administration of the Plan, shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly). In this regard, the Plan administrative and investment expenses which shall be paid out of the Trust Fund (unless the Employer elects to pay them itself) shall also include compensation payable to any employees of the Employer or any Affiliated Employer who perform administrative or investment services for the Plan to the extent such compensation would not have been sustained had such services not been provided, to the extent such compensation can be fairly allocated to such services, to the extent such compensation does not represent an allocable portion of overhead costs or compensation for performing "settlor" functions (such as services incurred in establishing or designing the Plan), and to the extent such compensation does not fail for some other reason to constitute a "direct expense" within the meaning of 29 C.F.R. 2550.408c-2(b)(3).

12.6 LIMITS ON LIABILITY. Federated and each other Employer shall hold each member of the Committee harmless from any loss, damage, or depreciation

which may result in connection with the execution of his or her duties or the exercise of his or her discretion or from any other act or omission hereunder, except when due to his or her own gross negligence or willful misconduct. Federated and each other Employer shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees approved by the Committee), and liabilities (including any amounts paid in settlement with the Committee's approval) arising from any act or omission of such member, except when the same is judicially determined to be due to the gross negligence or willful misconduct of such member.

12.7 CLAIMS PROCEDURE.

12.7.1 In general, benefits due under this Plan will be paid only if the applicable Participant (or beneficiary of a deceased Participant) files a written notice with a Plan representative electing to receive such benefits, except to the extent otherwise required under the Plan. Further, if a Participant (or a person claiming through a Participant) has a dispute as to the failure of the Plan to pay or provide a benefit, as to the amount of benefit paid, or as to any other matter involving the Plan, the Participant (or such person) may file a claim for the benefit or relief believed by the Participant (or such person) to be due. Such claim must be provided by written notice to the Committee or any Committee representative designated by the Committee for this purpose. The Committee will decide any claims made pursuant to this Section 12.7.

12.7.2 If a claim made pursuant to Section 12.7.1 above is denied, in whole or in part, notice of the denial in writing will be furnished by the Committee or a Committee representative to the claimant within 90 days after receipt of the claim by the Committee or the Committee representative; except that if special circumstances require an extension of time for processing the claim, the period in which the Committee or the Committee representative is to furnish the claimant written notice of the denial will be extended for up to an additional 90 days (and the Committee or the Committee representative will provide the claimant within the initial 90-day period a written notice indicating the reasons for the extension and the date by which the Committee or the Committee representative expects to render the final decision). The final notice of denial will be written in a manner designed to be understood by the claimant and set forth: (1) the specific reasons for the denial, (2) specific reference to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (4) information as to the steps to be taken if the claimant wishes to appeal such denial of his or her claim. If no written notice is provided the claimant within the applicable 90-day period or 180-day period, as the case may be, the claimant may assume his or her claim has been denied and go immediately to the appeal process set forth in Section 12.7.3 below.

12.7.3 Any claimant who has a claim denied under Sections 12.7.1 and 12.7.2 above may appeal the denied claim to the Committee (or any Committee representative designated by the Committee to perform this review). Such an appeal must, in order to be considered, be filed by written notice to the Committee (or such Committee representative) within 60 days of the receipt by the claimant of a written notice of the denial of his or her initial claim (unless it was not reasonably possible for the claimant to make such appeal within such 60-day period, in which case the claimant must file his or her appeal within 60 days after the time it becomes reasonable for him or her so to file an appeal). If any appeal is filed in accordance with such rules, the claimant, and any duly authorized representative of the claimant, will be given the opportunity to review pertinent documents and submit issues and comments in writing. A formal hearing may be allowed in its discretion by the Committee (or such Committee representative) but is not required.

12.7.4 Upon any appeal of a denied claim made pursuant to Section 12.7.3 above, the Committee (or such Committee representative who has the authority to decide the appeal) will provide a full and fair review of the subject claim and decide the appeal within 60 days after the filing of the appeal; except that if special circumstances require an extension of time for processing the appeal, the period in which the appeal is to be decided will be extended for up to an additional 60 days (and the party deciding the appeal will provide the claimant written notice of the extension prior to the end of the initial 60-day period). The decision on appeal will be set forth in a writing

designed to be understood by the claimant, specify the reasons for the decision and references to pertinent Plan provisions on which the decision is based, and be furnished to the claimant by the Committee (or such Committee representative) within the 60-day period or 120-day period, as is applicable, described above.

12.7.5 The Committee may prescribe additional rules which are consistent with the other provisions of this Section 12.7 in order to carry out the Plan's claim procedures.

12.8 LIMITS ON DUTIES. The Committee shall have no duty to verify independently any information supplied by the Employer and shall have no duty or responsibility to collect from the Employer all or any portion of any Employer contribution to the Plan. The Committee also shall have no duty or responsibility to verify the status of any Employee or former Employee under this Plan or to determine the identity or address of any person who is or may become entitled to the payment of any benefit from this Plan, and the Committee shall be entitled to delay taking any action respecting the payment of any benefit until the identity of the person entitled to such benefit and his or her address have been certified by the Employer.

12.9 APPOINTMENT OF INVESTMENT MANAGER.

12.9.1 The Committee, as a Named Fiduciary under the Plan, may appoint in writing a person, or more than one person, who (1) is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Act"), (2) is a Bank, as defined in the Act, or (3) is an insurance company which is qualified, within the meaning of Section 3(38) of ERISA, to manage, acquire, and dispose of the assets of an employee benefit plan, as an investment manager for all or a specified portion of the assets of the Trust Fund or any Investment Fund thereof. A person who is appointed as an investment manager shall have the sole power, without prior consultation with the Trustee, to manage and direct the acquisition and disposition of the assets of the Trust Fund which specifically are allocated by the Committee to that person's management account (his "Management Account"). The Committee at its discretion may terminate the appointment of any person as an investment manager and may cause assets to be added or deleted from any such person's Management Account.

12.9.2 The effective date of the appointment of a person as an investment manager shall be the date such person delivers to the Committee and to the Trustee a written statement which in the Committee's judgment adequately covers items (a) through (d) below:

(a) An acknowledgment (1) that such person is a Plan fiduciary within the meaning of Section 3(21)(A) of ERISA and (2) that such person has assumed sole responsibility for the management and the direction of the acquisition and disposition of the Trust Fund assets in his or her Management Account;

(b) A representation that such person is registered as an investment adviser under the Act, is a Bank as defined in the Act, or as an insurance company has the power within the meaning of Section 3(38)(A) of ERISA to manage, acquire, and dispose of the assets of an employee benefit plan;

(c) The names and signatures of individuals who are authorized to act on behalf of such person in connection with the management of his or her Management Account

(the "List"), which List may be amended from time to time by delivering written notice thereof to the Committee and to the Trustee and which List may be relied upon by them; and

(d) If appropriate and negotiable, an agreement that such person shall immediately notify the Committee of the commencement of any Securities and Exchange Commission investigation of any of his or her investment activities which may result either in a censure under the Act or in the suspension or revocation of his or her registration as an investment adviser under the Act.

12.9.3 The Committee may enter into a contract with an investment manager in connection with his or her appointment as such, which agreement may be subject to such terms and conditions as the Committee deems appropriate under the circumstances, including the following types of provisions:

(a) The appointment as investment manager may be terminated on the delivery of 30 days' prior written notice;

(b) If appropriate, the appointment shall be automatically terminated in the event the investment manager's registration as an investment adviser under the Act is suspended or revoked, such automatic termination to be effective coincident with such suspension or revocation;

(c) The investment manager shall make reports to the Committee describing all transactions with respect to his or her Management Account for each agreed upon reporting period; and

(d) All fees or other agreed upon compensation for services rendered to the Plan by the investment manager shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly).

12.9.4 An investment manager may exercise his or her powers through written directions or, at his or her option, may communicate such directions orally and as soon as practicable thereafter confirm them in writing, provided all directions, written or oral, shall be communicated by or, as applicable, signed by one of the individuals whose name and signature appear on the List, or the investment manager may communicate and confirm such instructions in any manner agreed upon between the investment manager and the Trustee. The Trustee shall follow all such directions from an investment manager, and shall not be liable in any respect to any person for acting in accordance with such directions or for failing to act in the absence of such directions. Pending receipt of directions from the investment manager, any cash received by the Trustee from time to time for his or her Management Account may be retained by it in short-term investments as may be prudent under all of the facts and circumstances then prevailing, including, without limitation, savings accounts, commingled short-term investment funds, commercial paper, and governmental securities.

12.9.5 The Committee shall establish an investment policy for each investment manager and such policy shall preclude investments in employer securities and employer real property within the meaning of Section 407 of ERISA except to the extent that such investments are allowable under ERISA. The Committee in addition shall implement an investment manager performance review procedure and pursuant thereto shall regularly review the performance of the investment manager to determine whether his or her appointment as such should be continued. The period between such reviews shall be determined by considering all the relevant facts and circumstances, including the volume of Trust Fund transactions.

SECTION 13

TERMINATION OR AMENDMENT

13.1 RIGHT TO TERMINATE. Federated and each other Employer expects this Plan to be continued indefinitely, but Federated reserves the right to terminate the Plan in its entirety or in part or to completely discontinue contributions to the Plan. The procedure for Federated to terminate this Plan in its entirety or in part or to completely discontinue contributions to the Plan is as follows. In order to terminate the Plan in its entirety or in part or to completely discontinue contributions to the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to take such action with respect to the Plan. Such resolutions shall set forth therein the effective date of the Plan's termination or the date contributions cease being made to the Plan. In the event the Board adopts resolutions completely terminating the Plan, the provisions of Sections 13.2 and 13.3 below shall apply.

13.2 FULL VESTING UPON TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Should this Plan be completely terminated, should a partial termination of this Plan occur by reason of the Board's action or under any other facts and circumstances, or should contributions to the Plan be completely discontinued, then each affected Participant shall immediately become fully vested and nonforfeitable in his or her Plan Accounts (determined as of the date of the complete or partial termination or complete discontinuance of contributions).

13.3 EFFECT OF TERMINATION OF PLAN OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS.

13.3.1 Upon a complete or partial termination of the Plan or complete discontinuance of contributions to the Plan, the Committee shall determine, and direct the Trustee accordingly, from among the following methods, the method of discharging and satisfying all obligations on behalf of Participants affected by the complete or partial termination or complete discontinuance of contributions: (1) by the continuation of the Trust and the distribution to Participants and their beneficiaries of the Participants' Plan Accounts due under the terms of the Plan as in effect immediately prior to the complete or partial termination or discontinuance of contributions, (2) by the liquidation and distribution of the assets of the Trust, (3) by the purchase of Annuity contracts, or (4) by a combination of such methods. Any distributions made by reason of the complete or partial termination of the Plan or complete discontinuance of contributions shall continue to meet the provisions of the Plan concerning the form in which distributions from the Plan must be made.

13.3.2 Any amounts held under the Trust which are not able to be allocated to any Participants' Accounts under the terms of the Plan as of the date of a complete termination of the Plan (treating such date as if it were the same as the last day of a Plan Year) shall be allocated among the Matching Accounts of those Participants who were employed as Covered Employees during the Plan Year in which the Plan's complete termination occurs, in

proportion to each such Participant's Compensation for the period beginning on the first day of the Plan Year in which such complete termination occurs and ending on the date of such complete termination, and, to the extent such amounts cannot be allocated to any Participants' Accounts by reason of the maximum annual addition limitations of the Plan set forth in Section 6A above, they shall be returned to the Employer.

13.4 AMENDMENT OF PLAN.

13.4.1 Subject to the other provisions of this Section 13.4, Federated may amend this Plan at any time and from time to time in any respect, provided that no such amendment shall make it possible, at any time prior to the satisfaction of all liabilities with respect to Participants, for any part of the income or corpus of the Trust Fund to be used for or diverted to any purpose other than for the exclusive benefit of Participants and their beneficiaries. The procedure for Federated to amend this Plan is as follows:

(a) Subject to paragraph (b) below, in order to amend the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly

called meeting of the Board or by a written consent in lieu of a meeting, to amend this Plan. Such resolutions shall either (1) set forth the express terms of the Plan amendment or (2) simply set forth the nature of the amendment and direct an officer of Federated or any other Federated employee to have prepared and to sign on behalf of Federated the formal amendment to the Plan. In the latter case, such officer or employee shall have prepared and shall sign on behalf of Federated an amendment to the Plan which is in accordance with such resolutions.

(b) In addition to the procedure for amending the Plan set forth in paragraph (a) above, the Board may also adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to delegate to any officer of Federated the authority to amend the Plan. Such resolutions may either grant the officer broad authority to amend the Plan in any manner the officer deems necessary or advisable or may limit the scope of amendments he or she may adopt, such as by limiting such amendments to matters related to the administration of the Plan or to changes requested by the Internal Revenue Service. In the event of any such delegation to amend the Plan, the officer to whom authority is delegated shall amend the Plan by having prepared and signing on behalf of Federated an amendment to the Plan which is within the scope of amendments which he or she has authority to adopt. Also, any such delegation to amend the Plan may be terminated at any time by later resolutions adopted by the Board. Finally, in the event of any such delegation to amend the Plan, and even while such delegation remains in effect, the Board shall continue to retain its own right to amend the Plan pursuant to the procedure set forth in paragraph (a) above.

13.4.2 It is provided, however, that, except as is otherwise permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan shall decrease any Participant's Accrued Benefit. In addition, except as is otherwise

permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan which eliminates or reduces an early retirement benefit or eliminates an optional form of benefit shall be permitted with respect to any Participant who meets (either before or after the amendment) the pre-amendment conditions for such early retirement or optional form of benefit, to the extent such early retirement or optional form of benefit is based and calculated on the basis of the Participant's Accrued Benefit determined at the time of such amendment.

13.4.3 Also, notwithstanding any other provisions hereof to the contrary, no Plan amendment (including any change made by this Plan amendment and restatement) which changes any vesting schedule or affects the computation of the nonforfeitable percentage of Accounts under the Plan shall be deemed to reduce the amount of the vested portion of any Account of a Participant below the amount of the vested portion of such Account, as determined as of the later of the date such amendment is adopted or the date such amendment becomes effective, computed under the Plan without regard to such amendment. Further, if a Plan amendment (including any change made by this Plan amendment and restatement) is adopted which changes any vesting schedule under the Plan or if the Plan is amended in any way which directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant who has completed at least three years of Vesting Service (as defined in Section 2.1.10 above, disregarding for this purpose paragraph (b) of Section 2.1.10 above) may elect, within the election period, to have his or her nonforfeitable percentage computed under the Plan without regard to such amendment. For purposes hereof, the "election period" is a period which begins on the date the Plan amendment is adopted and ends on the date which is 60 days after the latest of the following days: (1) the day the Plan amendment is adopted, (2) the day the Plan amendment becomes effective, or (3) the day the Participant is issued a written notice of the Plan amendment by Federated or the Committee.

SECTION 14

TOP HEAVY PROVISIONS

14.1 DETERMINATION OF WHETHER PLAN IS TOP HEAVY. For purposes of this Section 14, this Plan shall be considered a "Top Heavy Plan" for any Plan Year if, and only if, (1) this Plan is an Aggregation Group Plan during at least part of such Plan Year, and (2) the ratio of the total Present Value of all accrued benefits of Key Employees under all Aggregation Group Plans to the total Present Value of all accrued benefits of both Key Employees and Non-Key Employees under all Aggregation Group Plans equals or exceeds 0.6. All calculations called for in clauses (1) and (2) above with respect to this Plan shall be made as of the Determination Date which is applicable to the subject Plan Year, and all calculations called for under clause (2) above with respect to any Aggregation Group Plan other than this Plan shall be made as of that plan's Determination Date which falls within the same calendar year as the Determination Date being used by this Plan. For the purpose of this Section 14, the following terms shall have the meanings hereinafter set forth:

14.1.1 AGGREGATION GROUP PLAN. "Aggregation Group Plan" refers, with respect to any plan year of such plan, to a plan (1) which qualifies under Code Section 401(a) or as a simplified employee pension plan under Code Section 408 (k), (2) which is maintained by the Employer or an Affiliated Employer, and (3) which either includes a Key Employee as a participant (determined as of the Determination Date applicable to such plan year) or allows another plan qualified under Code Section 401(a), maintained by the Employer or an Affiliated Employer, and so including at least one Key Employee as a participant to meet the requirements of Section 401(a)(4) or Section 410(b) of the Code. In addition, the Employer may treat any plan which meets clauses (1) and (2) but not (3) of the immediately preceding sentence as an "Aggregation Group Plan" with respect to any plan year of such plan if the group of such plan and all other Aggregation Group Plans shall meet the requirements of Sections 401(a)(4) and 410(b) of the Code with such plan being taken into account.

14.1.2 DETERMINATION DATE. The "Determination Date" which is applicable to any plan year of an Aggregation Group Plan refers to the last day of the immediately preceding plan year (except that, for the first plan year of such a plan, the "Determination Date" applicable to such plan year shall be the last day of such first plan year).

14.1.3 KEY EMPLOYEE. With respect to any Aggregation Group Plan and as of any Determination Date, a "Key Employee" refers to a person who at any time during the plan year which includes such Determination Date or during any of the four immediately preceding plan years is an employee of the Employer or an Affiliated Employer and:

(a) An officer (disregarding any person with the title but not the authority of an officer) of the Employer or an Affiliated Employer, provided such person receives compensation from the Employer and the Affiliated Employers of an amount greater than 50%

of the amount in effect under Section 415(b)(1) (A) of the Code (I.E., the maximum dollar limit for defined benefit plans) for an applicable plan year in which he or she is such an officer. For this purpose, no more than 50 employees (or, if less, the greater of three or 10% of the employees of the Employer and

all Affiliated Employers) shall be treated as officers;

(b) One of the ten employees directly owning (or considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") the largest employee-held interests in the Employer and the other Affiliated Employers, provided such person owns at least 0.5% of the Employer or any Affiliated Employer and receives compensation from the Employer and the other Affiliated Employers of an amount greater than the amount in effect under Code Section 415(c)(1)(A) (I.E., the maximum dollar annual addition limit for defined contribution plans) for an applicable plan year in which he or she is such an employee. For this purpose, if two employees have the same interest in the Employer and the other Affiliated Employers, the employee having the greater annual compensation from the Employer and the Affiliated Employers shall be treated as having a larger interest;

(c) A 5% or more owner of the Employer; or

(d) A 1% or more owner of the Employer who receives compensation of $150,000 or more from the Employer and the other Affiliated Employers for an applicable plan year in which he or she owns such interest.

For purposes of paragraphs (c) and (d) above, a person is considered to own 5% or 1%, as the case may be, of the Employer if he or she owns (or is considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") at least 5% or 1%, as the case may be, of either the outstanding stock of the Employer or the voting power of all stock of the Employer. Further, for purposes of this entire Section 14.1.3, the term "Key Employee" includes any person who is deceased as of the subject Determination Date but who when alive had been a Key Employee during the plan year which includes the subject Determination Date or any of the four immediately preceding plan years, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.4 NON-KEY EMPLOYEE. With respect to any Aggregation Group Plan and as of any Determination Date, a Non-Key Employee refers to a person who at any time during the plan year which includes such Determination Date or during any of the four immediately preceding plan years is an employee of the Employer or an Affiliated Employer and who has never been considered a Key Employee as of such or any earlier Determination Date. Further, for purposes of this Section 14.1.4, the term "Non-Key Employee" includes any person who is deceased as of the subject Determination Date and who when alive had been an employee of the Employer or an Affiliated Employer during the plan year which includes the subject Determination Date or any of the four immediately preceding plan years, but had not been a Key

Employee as of the subject or any earlier Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.5 PRESENT VALUE OF ACCRUED BENEFITS.

(a) For any Aggregation Group Plan which is a defined benefit plan (as defined in Code Section 414(j)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the single sum value (calculated as of the latest Valuation Date which coincides with or precedes such Determination Date and in accordance with the actuarial assumptions adopted under such defined benefit plan for valuing single sum forms of benefits for purposes of such plan's top-heavy provisions which are in effect as of such Valuation Date) of the monthly retirement or termination benefit which the participant had accrued under such plan to such Valuation Date. For this purpose, such accrued monthly retirement or termination benefit is calculated as if it was to first commence as of the first day of the month next following the month the participant first attains his or her normal retirement age under such plan (or, if such normal retirement age had already been attained, as of the first day of the month next following the month in which occurs such Valuation Date) and as if it was to be paid in the form of a single life annuity. Also,

the accrued benefit of any participant under such plan (other than a participant who is a Key Employee) shall be determined under the method which is used for accrual purposes for all plans of the Employer and the Affiliated Employers (or, if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rates permitted under Section 411(b) (1)(C) of the Code). In addition, the dollar amount of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the plan year which includes such Valuation Date or one of the four immediately preceding plan years shall be added in calculating such "Present Value" of the participant's accrued benefit.

(b) For any Aggregation Group Plan which is a defined contribution plan (as defined in Code Section 414(i)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the sum of (1) the total of the participant's account balances under the plan (valued as of the latest Valuation Date which coincides with or precedes such Determination Date), and (2) an adjustment for contributions due as of such Determination Date. In the case of a profit sharing or stock bonus plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, actually made after the subject Valuation Date but on or before such Determination Date (and, in the case of the first plan year, any amounts contributed to the plan after such Determination Date which are allocated as of a date in such first plan year). In the case of a money purchase pension or target benefit plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, which are either actually made or due to be made after the subject Valuation Date but before the expiration of the period allowed for meeting minimum funding requirements under Code Section 412 for the plan year which includes the subject Determination Date. In addition, the value of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such

participant prior to the subject Valuation Date but still within the plan year which includes such Valuation Date or one of the four immediately preceding plan years shall be added in calculating such "Present Value" of the participant's accrued benefit.

(c) In the case of any rollover (as defined in the appropriate provisions of the Code) from an Aggregation Group Plan to another plan qualified under Section 401(a) of the Code or vice versa, or a direct qualified plan-to-qualified plan transfer to or from a subject Aggregation Group Plan, which rollover or transfer is both initiated by a participant and made between a plan maintained by the Employer or an Affiliated Employer and a plan maintained by an employer other than the Employer or an Affiliated Employer, (1) the Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall count the amount of the rollover or transfer as a distribution made as of the date such amount is distributed by such plan in determining the "Present Value" of the participant's accrued benefit under paragraph (a) or (b) above, as applicable, and (2) the Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall not so consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining such "Present Value" if such rollover was accepted after December 31, 1983 and shall so consider such amount if such rollover was accepted prior to January 1, 1984.

(d) In the case of any rollover (as defined in the appropriate provisions of the Code) from an Aggregation Group Plan to another plan qualified under Section 401(a) of the Code or vice versa, or a direct qualified plan-to-qualified plan transfer to or from a subject Aggregation Group Plan, which rollover or transfer is not described in paragraph (c) above, (1) the subject Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall not consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining the "Present Value" thereof under paragraph (a) or (b) above, as applicable, and (2) the subject Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall consider the amount of the rollover or transfer when made as part of the participant's accrued benefit in determining such "Present Value."

(e) As is noted in paragraphs (a) and (b) above, the

"Present Value" of any participant's accrued benefit under either a defined benefit plan or a defined contribution plan as of any Determination Date includes the value of any distribution from such a plan actually paid to such participant prior to the last Valuation Date which coincides with or precedes such Determination Date but still within the plan year which includes such Valuation Date or one of the four immediately preceding plan years. This rule shall also apply to any distribution under any terminated defined benefit or defined contribution plan which, if it had not been terminated, would have been required to be included as an Aggregation Group Plan.

(f) Notwithstanding the foregoing provisions, the "Present Value" of a participant's accrued benefit under either a defined benefit plan or a defined contribution plan as of any Determination Date shall be deemed to be zero if the participant has not performed services for the Employer or any Affiliated Employer at any time during the five year period ending on such Determination Date.

14.1.6 VALUATION DATE. A "Valuation Date" refers to: (1) in the case of a defined benefit plan (as defined in Code Section 414(j)), the date as of which the plan actuary computes plan costs for minimum funding requirements under Code Section 412 (except that, for a defined benefit plan which has terminated, a "Valuation Date" shall be deemed to be the same as a Determination Date); and (2) in the case of a defined contribution plan (as defined in Code Section 414(i)), the date as of which plan income, gains, and/or contributions are allocated to plan accounts of participants.

14.1.7 COMPENSATION. For purposes hereof, a participant's "compensation" shall, for purposes of the rules of this Section 14, refer to his or her Compensation as defined in Section 1.7 above; except that, for purposes of Section 14.3 below, paragraphs (b) and (c) of Section 1.7 above shall not apply.

14.2 EFFECT OF TOP HEAVY STATUS ON VESTING.

14.2.1 For any Plan Year in which this Plan is considered a Top Heavy Plan, each Participant who completes at least one Hour of Service in such year and who is not fully vested in any of his or her Accounts under Section 6.10 above shall be deemed fully vested in all such Accounts if he or she has completed by the end of such year at least three years of Vesting Service.

14.2.2 For any Plan Year in which this Plan is not considered a Top Heavy Plan, the provisions of this Section 14.2 shall not be effective; except that, if the Plan is not a Top Heavy Plan in a Plan Year after the Plan was considered a Top Heavy Plan in the immediately preceding Plan Year, any change back to the appropriate vesting schedule or provisions set forth in Section 6.10 above shall be considered an amendment to the vesting schedule (effective and adopted as of the first day of such new Plan Year) for purposes of Section 13.4.2 above.

14.3 EFFECT OF TOP HEAVY STATUS ON CONTRIBUTIONS.

14.3.1 Subject to Sections 14.3.2 and 14.3.3 below, for any Plan Year in which this Plan is considered a Top Heavy Plan, the amount of the employer contributions and forfeitures allocated under all Aggregation Group Plans which are defined contribution plans (as defined in Code Section 414(i)) for such Plan Year to the accounts of a Participant who is a Non-Key Employee on the last day of such Plan Year (excluding any contributions made on behalf of the Non-Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code and also excluding any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Non-Key Employee) must be at least equal to the lesser of (1) 3% of the Participant's compensation for such Plan Year or (2) the largest allocation of contributions and forfeitures made for such Plan Year to the accounts of a Participant who is a Key Employee as of the Determination Date applicable to such Plan Year under all such Aggregation Group Plans (measured as a percent of the Key Employee's compensation for such Plan Year and including

both any contributions made on behalf of the Key Employee by reason of his or her election under an arrangement qualifying under Section 401(k) of the Code and any matching contributions within the meaning of Code Section 401(m)(4)(A) which are allocated to an account of the Key Employee). To the extent necessary, and regardless of the existence of current or accumulated profits, the Employer shall make additional contributions to this Plan which are just allocable to the Accounts of Participants who are Non-Key Employees so that the requirement set forth in the immediately preceding sentence is met for the subject Plan Year.

14.3.2 Notwithstanding the provisions of Section 14.3.1 above but subject to the provisions of Section 14.3.3 below, in the case of any Non-Key Employee who participates in both this Plan and another Aggregation Group Plan that is a defined benefit plan (as defined in Code Section 414(j)) which is maintained by the Employer or in which the Employer participates, the provisions of Section 14.3.1 shall be inapplicable if the Employer causes such defined benefit plan to provide an accrued benefit (attributable only to employer contributions) for such Non-Key Employee which, if expressed as a single life annuity commencing on the first day of the month next following the month in which the Non-Key Employee attains his or her Normal Retirement Age, shall be equal at least to the product of (1) 2% of the Non-Key Employee's average annual compensation for the five consecutive calendar years which produce the highest result and (2) the Non-Key Employee's years of service (up to but not exceeding ten such years). For purposes of computing the product in the foregoing sentence: (1) compensation received in any Plan Year which began prior to January 1, 1984 and in any calendar year which begins after the end of the last Plan Year in which the Plan is considered a Top Heavy Plan shall all be disregarded; and (2) years of service shall refer generally to years of Vesting Service except that years of service for this purpose shall not include the period of any Plan Year which began prior to January 1, 1984 or any Plan Year as of which the Plan is not considered a Top Heavy Plan.

14.3.3 Notwithstanding the foregoing provisions of Sections 14.3.1 and 14.3.2 above, such provisions shall not apply so as to cause any additional contribution or benefit to be provided a Participant for a Plan Year under an Aggregation Group Plan maintained by the Employer or in which the Employer participates if (1) such Participant actively participates in an Aggregation Group Plan maintained by an Affiliated Employer at a date in the applicable Plan Year which is later than the latest date in such year on which he or she actively participates in this Plan and (2) such other plan provides for the same contribution or benefit as would otherwise be required under Sections 14.3.1 and 14.3.2 above for such Plan Year.

14.4 EFFECT OF TOP HEAVY STATUS ON COMBINED MAXIMUM PLAN LIMITS. For any Plan Year in which this Plan is considered a Top Heavy Plan, the references to "125%" contained in Section 6A.2 above shall be changed to "100%."

SECTION 15

MISCELLANEOUS

15.1 TRUST. Subject to the provisions of Section 16 below, all assets of the Plan shall be held in the Trust for the benefit of the Participants and their beneficiaries. Except as provided in Sections 4.6, 5.3, and 13.3 above, in no event shall it be possible for any part of the assets of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and their beneficiaries or for payment of the proper administrative costs of the Plan and the Trust. No person shall have any interest in or right to any part of the earnings of the Trust, or any rights in, to, or under the Trust or any part of the assets thereof, except as and to the extent expressly provided in the Plan. Any person having any claim for any benefit under the Plan shall look solely to the assets of the Trust Fund for satisfaction. In no event shall Federated or any other Employer or any of their officers or agents, or members of the Board, the Committee, or the Trustee, be liable in their individual capacities to any person whomsoever for the payment of benefits under

the provisions of the Plan.

15.2 MERGERS, CONSOLIDATIONS, AND TRANSFERS OF ASSETS. Notwithstanding any other provision hereof to the contrary, in no event shall this Plan or the Trust be merged or consolidated with any other plan and trust, nor shall any of the assets or liabilities of this Plan and the Trust be transferred to any other plan or trust or vice versa, unless (1) the Committee consents to such merger, consolidation, or transfer of assets as consistent with the rules set forth herein and the purposes of this Plan, (2) each Participant and beneficiary would (if this Plan and the Trust then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan and the Trust had then terminated), and (3) such merger, consolidation, or transfer of assets does not cause any accrued benefit, early retirement benefit, or optional form of benefit of a person under this Plan or the applicable other plan to be eliminated or reduced except to the extent such elimination or reduction is permitted under Section 411(d)(6) of the Code or in Treasury regulations issued thereunder. In the event of any such merger, consolidation, or transfer, the requirements of clause (2) set forth in the immediately preceding sentence shall be deemed to be satisfied if the merger, consolidation, or transfer conforms to and is in accordance with regulations issued under Section 414(1) of the Code. In addition, in the case of any spin-off to this Plan from another plan which is maintained by the Employer or an Affiliated Employer or of any spin-off from this Plan to another Plan which is maintained by the Employer or an Affiliated Employer, a percentage of the excess assets (as determined under Section 414(l)(2) of the Code) held in the plan from which the spin-off is made (if any) shall be allocated to each of such plans to the extent required by Section 414(l)(2) of the Code. Subject to the provisions of this Section 15.2, the Committee may take action to merge or consolidate this Plan and the Trust with any other plan and trust, or permit the transfer of any assets and liabilities of this Plan and the Trust to any other plan and trust or vice versa.

15.3 BENEFITS AND SERVICE FOR MILITARY SERVICE. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Code.

15.4 CORRECTION OF INADVERTENT ERRORS. If any inadvertent errors are made in crediting amounts to any Accounts which leave amounts held under the Plan which are not reasonably able to be allocated to any specific Participant or Account (for purposes of this Section 15.4, "overcrediting errors"), then such amounts shall, except as noted below, be used to the extent possible to correct any inadvertent errors made in crediting amounts to any Accounts which leave such Accounts with balances which are less than the balances which should exist under the Plan if no such errors had been made (for purposes of this Section 15.4, "undercrediting errors"). To the extent the amounts attributable to overcrediting errors which exist as of the last day of any Plan Year are not needed to correct the undercrediting errors which are then known, the amounts attributable to overcrediting errors shall be treated for all purposes of the Plan as if they were forfeitures from Matching Accounts arising under the Plan for the subject Plan Year. Further, any undercrediting errors shall be corrected: (1) by use of overcrediting errors to the extent permitted by the foregoing provisions of this Section 15.4; (2) to the extent not corrected by such overcrediting errors, by use of forfeitures to the extent permitted under Section 8.6 above; or (3) to the extent not corrected by use of overcrediting errors or forfeitures, by payment made by the Employer to the Trust as a special contribution in order to make such corrections. Such contribution shall not be considered an Employer contribution for purposes of Section 6.1 or 6.2 or a part of an annual addition (as defined in Section 6A.1.2(a) above) to the Plan.

15.5 APPLICATION OF CERTAIN PLAN PROVISIONS TO PRIOR PLANS. Notwithstanding any other provision of the Plan to the contrary, while the provisions of the Plan are generally effective only as of the Effective Amendment Date, any provision of the Plan which reflects or is designed to meet any requirement of the Federal Small Business Job Protection Act of 1996 (for purposes of this Section 15.5, the "SBJPA") which is effective prior to the Effective Amendment Date shall be deemed to apply to each Prior Plan from the effective date of such provision under the SBJPA to the Effective Amendment

Date. In particular, but not by way of limitation, (1) the provisions of the last sentence of Section 1.7(a), Section 1.13, Section 4A, Section 5A, and Section 10.6 of this Plan shall apply from January 1, 1997 to the Effective Amendment Date to each Prior Plan and (2) the provisions of Section 15.3 of this Plan shall apply from December 12, 1994 to the Effective Amendment Plan to each Prior Plan. In addition, notwithstanding any other provision of this Plan or any Prior Plan to the contrary, the compensation limits of Section 401(a)(17) of the Code shall be applied from January 1, 1997 to the Effective Amendment Date to each Prior Plan in the manner set forth in paragraph (d) of Section 1.7 of this Plan.

15.6 AUTHORITY TO ACT FOR FEDERATED OR OTHER EMPLOYER. Except as is otherwise expressly provided elsewhere in this Plan, any matter or thing to be done by Federated or any other employer included as part of the Employer shall be done by its board of directors, except that the board may, by resolution, delegate to any persons or entities all or part of its rights or

duties hereunder. Any such delegation shall be valid and binding upon all persons, and the persons or entities to whom or to which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by resolution of such board.

15.7 RELATIONSHIP OF PLAN TO EMPLOYMENT RIGHTS. The adoption and maintenance of the Plan is purely voluntary on the part of Federated and each other Employer and neither the adoption nor the maintenance of the Plan shall be construed as conferring any legal or equitable rights to employment on any person.

15.8 APPLICABLE LAW. The provisions of the Plan shall be administered and enforced according to Federal law and, only to the extent not preempted by Federal law, to the laws of the State of Ohio. Either Federated or the Trustee may at any time initiate any legal action or proceedings for the settlement of the Trustee's accounts or for the determination of any question of construction which arises or for instructions. Except as required by law, in any application to, or proceeding or action in, any court with regard to the Plan or Trust, only Federated and the Trustee shall be necessary parties, and no Participant, beneficiary, or other person having or claiming any interest in the Plan or Trust shall be entitled to any notice or service of process. Federated or the Trustee may, if either so elects, include as parties defendant any other persons. Any judgment entered into in such a proceeding or action shall be conclusive upon all persons claiming under the Plan or Trust.

15.9 AGENT FOR SERVICE OF PROCESS. The agent for service of process for the Plan shall be the Secretary of Federated.

15.10 REPORTING AND DISCLOSURE. Federated shall act as the Plan Administrator for purposes of satisfying any requirement now or hereafter imposed through Federal or State legislation to report and disclose to any Federal or State department or agency, or to any Participant or other person, any information respecting the establishment or maintenance of the Plan or the Trust Fund. Any cost or expense incurred in satisfying any and all such reporting and disclosure requirements shall be deemed to be a reasonable expense of administering the Plan and may be paid from the Trust Fund if not otherwise elected to be paid by the Employer.

15.11 SEPARABILITY OF PROVISIONS. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

15.12 COUNTERPARTS. The Plan may be executed in any number of counterparts, each of which shall be deemed an original, and the counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

15.13 HEADINGS. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

15.14 CONSTRUCTION. In the construction of this Plan, either gender shall include the other gender, the singular shall include the plural, and the plural shall include the singular, in all cases where such meanings would be appropriate.

15.15 APPLICABLE BENEFIT PROVISIONS. Any benefit to which a Participant becomes entitled under the Plan (or any death benefit to which a Participant's Spouse or other beneficiary becomes entitled under the Plan) shall be determined on the basis of the provisions of the Plan in effect as of the date the Participant last ceases to be employed by the Employer or an Affiliated Employer notwithstanding any amendment to the Plan adopted subsequent to such date, except for subsequent amendments which are by their specific terms made applicable to such Participant (or his or her Spouse or other beneficiary) or which are required by applicable law to be applicable to such Participant (or his or her Spouse or other beneficiary).

15.16 EMPLOYMENT RULE. Any individual who is a common law employee of a corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated (for purposes of this Section 15.16, the "Federated controlled group") shall, for all purposes of this Plan, be considered to be the common law employee of the corporation in the Federated controlled group from whose payroll the individual is paid. If any individual participating in this Plan by reason of being paid under the payroll of a corporation which is included as part of the Employer is actually the common law employee of a corporation in the Federated controlled group which is not included as part of the Employer, such other corporation shall be considered an employer participating in this Plan for purposes of Sections 401(a) and 404 of the Code.

SIGNATURE PAGE

IN WITNESS WHEREOF, Federated Department Stores, Inc. has hereunto caused its name to be subscribed to this amendment and restatement of the Plan on the 31ST day of MARCH, 1997, but effective for all purposes, except as otherwise provided herein, as of April 1, 1997.

FEDERATED DEPARTMENT STORES, INC.

By /s/ John R. Sims

Title Vice President

Exhibit 10.49

FEDERATED DEPARTMENT STORES, INC.

CASH ACCOUNT PENSION PLAN

(As amended and restated effective as of January 1, 1997)

FEDERATED DEPARTMENT STORES, INC.
CASH ACCOUNT PENSION PLAN
(As amended and restated effective as of January 1, 1997)

Federated Department Stores, Inc. adopted, effective as of January 1, 1984, the Retirement Income Plan. The said plan was subsequently renamed the Federated Department Stores, Inc. Pension Plan and amended and restated. As of January 1, 1997, Federated Department Stores, Inc. is again renaming such plan, this time as the Federated Department Stores, Inc. Cash Account Pension Plan, and amending and restating such plan in accordance with the provisions set forth below. The provisions of this amended and restated plan will, except as otherwise is herein expressly provided below, apply only to employees whose service terminates on or after the effective date of this amended and restated plan. The rights and benefits, if any, of a former employee will, except as otherwise is required by law, be determined in accordance with the prior provisions of this plan in effect on the date his or her employment terminated.

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FEDERATED DEPARTMENT STORES, INC.
CASH ACCOUNT PENSION PLAN
(As amended and restated effective as of January 1, 1997)

SECTION 1
GENERAL DEFINITIONS

As used in this Plan (and any Schedules attached hereto), the following general terms shall have the meanings indicated below unless it is clear from the context that another meaning is intended:

1.1 ACCRUED BENEFIT - means, as of any specified date: (1) with respect to a Participant who either has retired from or terminated employment with the Employer or has started to receive a retirement benefit under the Plan, the retirement benefit (or, if such benefit has already begun being paid as of such specified date, the remaining portion of the retirement benefit) which the Participant is then entitled under the Plan; (2) with respect to a Participant who is still employed by the Employer and has not started to receive a retirement benefit under the Plan, the retirement benefit to which the Participant would be entitled under the Plan if it was determined as of the specified date and if all Plan provisions which require the completion of a certain number of years of Vesting Service or the attainment of any age while an Employee in order to be entitled to a retirement benefit were disregarded; and (3) with respect to a deceased Participant's Spouse or other beneficiary who as of the subject date is entitled to a death benefit under the Plan or has started to receive a death benefit under the Plan, the death benefit (or, if such benefit has already begun being paid as of the subject date, the remaining portion of the death benefit) to which the Spouse or other beneficiary is then entitled under the Plan.

1.2 ACTIVE PARTICIPANT - means, at any relevant time, a person who at such relevant time is a Participant in the Plan other than as a Retired Participant.

1.3 ACTUARY - means an independent actuary, selected by Federated, who is a Fellow of the Society of Actuaries and an enrolled actuary under ERISA or which is a firm at least one of whose members is such an individual.

1.4 AFFILIATED EMPLOYER - means each corporation which is a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code as modified when applicable by Section 415(h) of the Code) of which the Employer is a member, each trade or business which is under common control (within the meaning of Section 414(c) of the Code as modified when applicable by Section 415(h) of the Code) with the Employer, each member of an affiliated service group (within the meaning of Section 414(m) of the Code) which includes the Employer, and each other entity required to be aggregated with the Employer under

Section 414(o) of the Code; except that any corporation or trade or business which is considered a part of the Employer as defined in Section 1.13 below shall not also be considered an Affiliated Employer hereunder.

1.5 ANNUITY - means a form of benefit without life insurance which provides for equal payments at regular installments over more than a one-year period.

1.6 BOARD - means the Board of Directors of Federated.

1.7 CASH BALANCE ACCOUNT - means, with respect to any Participant, the bookkeeping account established with respect to the Participant under Section 4 below.

1.8 CODE - means the Internal Revenue Code of 1986 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.9 COMMITTEE - means the committee appointed by Federated to serve as the administrative and investment committee described in Section 12 below. Federated may appoint the same committee to perform the duties and responsibilities of the committee under this Plan and the committee under any other tax-qualified retirement or savings plan maintained by the Employer or any Affiliated Employer.

1.10 COMPENSATION - means, with respect to an Employee and for any period, the amount determined as follows:

(a) Subject to paragraphs (b), (c), and (d) below, the Employee's "Compensation" for any period shall mean his or her wages (within the meaning of Section 3401(a) of the Code) and all other compensation paid to the Employee by the Employer for his or her period of service as an Employee and for which the Employer is required to furnish the Employee a written statement under Section 6051(a)(3) of the Code (E.G., compensation reported in Box 1 on a Form W-2). Such Compensation shall be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed. In addition, the Employee's Compensation shall not be aggregated for Plan purposes with the Compensation of any other Employee, including any other Employee who is a family member of the subject Employee.

(b) Notwithstanding the foregoing, the following types of irregular or additional compensation shall not be included in the "Compensation" of an Employee for any period by reason of the provisions of paragraph (a) above: director's fees; contributions made to or payments received from a plan of deferred compensation; amounts realized from or recognized by reason of a restricted stock award; amounts realized from or recognized by reason of stock appreciation rights; amounts realized from or recognized by reason of the exercise of a stock option or the disposition of stock acquired under a stock option; long-term cash bonuses based on meeting performance goals which are measured over more than a one year period;

moving expense reimbursements or payments made to cover mortgage interest differentials resulting from a move; merchandise or savings bond awards; reimbursements for tuition or educational expenses; cost of living allowances; amounts resulting from a forgiveness of a loan; retention bonuses or severance pay paid by reason of or approved by an order of a court; amounts which represent a sign-on bonus for agreeing to be employed by the Employer; sick pay or disability payments made under a third-party payor arrangement; any imputed income or the like arising under welfare or other fringe benefit plans or programs (including but not limited to group term life insurance, use of employer cars, financial counseling, and employee discounts); any payments made to cover any personal income taxes resulting from the imputing of income by reason of welfare or other fringe benefits; and lump sum severance payments or lump sum payments in settlement of disputes involving termination of employment which are not otherwise described in this paragraph (b).

(c) In addition to the amounts included in the Employee's

"Compensation" for any period under paragraph (a) and paragraph (b) above, and notwithstanding the provisions of such paragraphs, the Employee's "Compensation" for any period shall also include (1) any amounts contributed to a plan qualified under Section 401(a) of the Code and maintained by the Employer which were subject to a cash or deferred election of the Employee made under and pursuant to Section 401(k) of the Code and which are not includable in the Employee's income for such period by reason of Section 402(e)(3) of the Code and (2) any amounts treated as employer contributions to a cafeteria plan maintained by the Employer by reason of an election of the Employee made under and pursuant to Section 125 of the Code and which are not includable in the Employee's income for such period by reason of Section 125 of the Code.

(d) Finally, notwithstanding any of the provisions of the foregoing paragraphs of this Section 1.10, in determining benefit accruals in any Plan Years beginning on or after the Effective Amendment Date, the "Compensation" of the Employee which is taken into account for any Plan Year under the Plan shall not exceed $150,000 (or any higher amount to which this figure is adjusted under Section 401(a)(17) of the Code by the Secretary of the Treasury or his or her delegate for the calendar year in which such Plan Year begins).

1.11 EFFECTIVE AMENDMENT DATE - means the effective date of this amendment and restatement of the Plan, which is January 1, 1997.

1.12 EMPLOYEE - is used herein only to refer to an individual who is eligible to be a Participant in the Plan if and after he or she meets all of the participation requirements set forth in Section 3 below (including certain minimum age and minimum service requirements set forth in Section 3 below) and means an individual who qualifies as an "Employee" under the following provisions:

(a) Subject to the other provisions of this Section 1.12, an "Employee" means, at any point in time, an individual who is a common law employee of the Employer and who is classified as an employee by the Employer for payroll payment and withholding purposes at such time.

(b) Notwithstanding the foregoing, none of the following individuals shall be considered an "Employee" for purposes of the Plan: (1) a director of the Employer who is not employed by the Employer in any other capacity; (2) except where Federated has otherwise agreed, any person who is employed in a leased department in a store operated by the Employer; (3) any person who is stationed outside the United States from the time he or she first comes employed by the Employer or who receives his or her Compensation in foreign currency; (4) any person whose compensation consists solely of a retainer or fee; or (5) any person who is represented by a collective bargaining unit unless a collective bargaining agreement between the authorized representatives of such collective bargaining unit and the Employer approves such person's eligibility to participate in plans both (x) which are qualified as tax-favored plans under Section 401(a) of the Code and (y) the sponsor (as such term is defined in ERISA) of which is the Employer.

(c) Also, subject to the following provisions of this paragraph (c) but notwithstanding the foregoing, unless included in the Plan by action of the Board or pursuant to an applicable collective bargaining agreement, an "Employee" for purposes of the Plan shall not include any person who is a participant, eligible for participation, or in the process of qualifying for participation in any other defined benefit pension plan (within the meaning of Section 414(j) of the Code) which qualifies under Section 401(a) of the Code and the cost of which is borne, in whole or in part, by the Employer or any Affiliated Employer. However, a person who otherwise qualifies as an "Employee" under the other provisions of this Section 1.12 shall not be considered other than as an "Employee" merely because of his or her participation in another defined benefit pension plan if such participation relates solely to employment which preceded the date on which he or she would otherwise become a Participant under the Plan and the person's benefits under such other plan relate solely to such past service.

(d) Further, when any corporation which is part of the Employer at any point in time later loses its status as being part of the Employer (because it no longer is part of a controlled group of corporations which includes Federated or because of any other reason), all persons who are considered "Employees" under this Plan by reason of their employment by such corporation immediately prior to such corporation losing its status as part of the Employer shall no longer be considered "Employees" under this Plan upon such corporation's loss of Employer status.

(e) In addition, any Leased Employee shall be considered an "Employee" for purposes of this Plan only if both he or she is a Leased Employee of the Employer and Federated has agreed to his or her being considered an Employee for purposes of this Plan.

1.13 EMPLOYER - means each and every corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated. Except where the context otherwise is clear, any reference to the Employer in this Plan shall be deemed to be referring collectively to all of the corporations which comprise the Employer.

1.14 ERISA - means the Employee Retirement Income Security Act of 1974 and the sections thereof, as such law and sections exist as of the Effective Amendment Date or may thereafter be amended or renumbered.

1.15 FEDERATED - means Federated Department Stores, Inc., or any corporate successor thereto. Federated is the sponsor of this Plan.

1.16 FORMER HIGHLY COMPENSATED EMPLOYEE - means, with respect to any Plan Year (for purposes of this Section 1.16, the "subject Plan Year"), any person (1) who is a former Employee at the start of the subject Plan Year (or who, while an Employee at the start of such year, performs no services for the Employer during such year by reason of being on a Leave of Absence or for some other reason), (2) who had a separation year prior to the subject Plan Year, and (3) who was a highly compensated employee (within the meaning of Section 414(q) of the Code) for the person's separation year or any other Plan Year which ended on or after the person's 55th birthday. Except as otherwise provided herein, a person's separation year refers to the Plan Year in which the person terminated employment with the Employer. For purposes of this rule, an Employee who performs no services for the Employer during the subject Plan Year shall be treated as having terminated employment with the Employer in the Plan Year in which such Employee last performed services for the Employer. In addition, if an Employee in any Plan Year (for purposes of this Section 1.16, the "earlier Plan Year"), prior to the first Plan Year which ends on or after his or her attainment of age 55, receives Compensation in an amount less than 50% of the Employee's average annual amount of Compensation for the period of the three consecutive calendar years which both end prior to the earlier Plan Year and produce the greatest amount of Compensation (or the entire period of his or her service with the Employer, if it is or was less than three consecutive calendar years prior to the earlier Plan Year), and if such Employee after such earlier Plan Year never has his or her Compensation increase to be in excess of 50% of such average annual amount of Compensation, then such Employee's separation year shall, once he or she finally does terminate employment (or is finally treated as having terminated employment) with the Employer, have his or her separation year be deemed to be the earlier Plan Year.

1.17 HIGHLY COMPENSATED EMPLOYEE - means, with respect to any Plan Year (for purposes of this Section 1.17, the "subject Plan Year"), any person who is a highly compensated employee (within the meaning of Section 414(q) of the Code) for the subject Plan Year. Under the provisions of Code Section 414(q) as in effect on the Effective Amendment Date, subject to any subsequent changes to such Code Section, a person shall be considered as a highly compensated employee for the subject Plan Year if he or she is an Employee during at least part of such Plan Year and (1) was at any time a 5% owner (as defined in Section 416(i)(1) of the Code) of the Employer or any Affiliated Employer during the subject Plan Year or the immediately preceding Plan Year (for purposes of this Section 1.17, the "look-back Plan Year") or (2) received Compensation in excess of $80,000 in the look-back Plan Year. The $80,000 amount set forth above shall

be adjusted for each Plan Year beginning after the Effective Amendment Date in accordance with the adjustment to such amount made by the Secretary of the Treasury or his or her delegate under Section 414(q)(1) of the Code.

1.18 LEASED EMPLOYEE - means any person who is a leased employee (within the meaning of Section 414(n) of the Code) of the Employer or an Affiliated Employer. Under Code Section 414(n), subject to any subsequent changes to such Code Section, a leased employee is an individual who provides services to a recipient, in a capacity other than as a common law employee of the recipient, in accordance with each of the following three requirements: (1) the services are provided pursuant to an agreement between the recipient and one or more leasing organizations; (2) the individual has performed such services for the recipient on a substantially full-time basis for a period of at least one year; and (3) such services are performed under the primary direction or control by the recipient. The determination of who is a Leased Employee shall be consistent with any regulations issued under Section 414(n) of the Code.

1.19 LEAVE OF ABSENCE - means, with respect to an Employee, any period of the Employee's absence from service with the Employer which does not constitute a quit, retirement, or discharge under any uniform and nondiscriminatory personnel policy of the Employer which applies to the class of Employees to which such Employee belongs. For this purpose, if for any period the Employee continues to be paid his or her regular salary or wages and to perform any services required of him or her by the Employer, he or she is not considered absent from service (and is not on a Leave of Absence) for such period. A Leave of Absence shall in any event include any absence of the Employee from service for maternity or paternity reasons. An absence for "maternity or paternity reasons" means an absence (1) by reason of the pregnancy of the Employee, (2) by reason of the birth of a child of the Employee, (3) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (4) for purposes of caring for such child for a period immediately following such birth or placement. An Employee shall be treated as still being an Employee for purposes of the Plan while on a Leave of Absence, but he or she shall be treated as having terminated his or her employment with the Employer as an Employee at the end of such Leave of Absence unless at such time he or she returns to service with the Employer or is granted by the Employer an extension of the approved leave of absence period.

1.20 NORMAL RETIREMENT AGE - means, with respect to any Participant, the later of: (1) the date the Participant first reaches age 65; or (2) the fifth annual anniversary of the date the Participant first becomes a Participant in the Plan. A Participant shall be fully vested in his or her Accrued Benefit if, while an Employee, he or she attains the date which would be his or her Normal Retirement Age under this Section 1.20.

1.21 NORMAL RETIREMENT DATE - means, with respect to any Participant, the first day of the first month which begins on or after the date on which the Participant first attains his or her Normal Retirement Age.

1.22 PARTICIPANT - means, at any relevant time, any person who at such time either is accruing benefits under the Plan or still has accrued benefits held under the Plan. The provisions of Section 3 below determine when a person is a Participant on or after the Effective Amendment Date, and the provisions of the Plan which were in effect prior to the Effective Amendment Date shall determine when a person was a Participant prior to such date.

1.23 PLAN - means the Federated Department Stores, Inc. Pension Plan, as currently set forth in this document and as may be amended hereinafter. In addition, any reference to the "Plan" contained in this document also refers to all defined benefit pension plans which preceded and were continued by this current version of the Plan or any such other preceding plan, and any defined

benefit pension plans which are or were merged into or have or had assets and liabilities directly transferred to this Plan as currently constituted or any of such other preceding plans, with all such other preceding and merged or transferred plans being referred to herein as the "Prior Plans." If the provisions of this document refer to or require the determination of the amount of any retirement benefits that would apply under any Prior Plan had such Prior Plan continued in effect after the Effective Amendment Date, or the amount of any retirement benefit that would apply under any Prior Plan if such benefit were determined immediately prior to the Effective Amendment Date, the provisions of the Prior Plan shall be used to make such determination. The provisions of the Prior Plans are hereby incorporated by reference in this document to the extent necessary to make any such determination. In this regard, the Prior Plans include, but are not limited to, the Federated Department Stores, Inc. Pension Plan as in effect prior to the Effective Amendment Date (for purposes of this Section 1.23, the "prior Federated Pension Plan"), the Allied Stores Corporation Retirement Benefit Plan (which was merged into the prior Federated Pension Plan as of December 31, 1995), the Pension Plan for Employees of Broadway Stores Inc. (which was merged into the prior Federated Pension Plan as of January 31, 1996), the R.H. Macy & Co., Inc. Pension Plan (which was merged into the prior Federated Pension Plan as of December 31, 1996), the Supplemental Pension Plan for Hourly Employees of The Emporium (which was merged into the prior Federated Pension Plan as of December 31, 1996), and the Amended and Restated Joseph Horne Co., Inc. Pension Plan (which was merged into the prior Federated Pension Plan as of December 31, 1996).

1.24 PLAN ADMINISTRATOR - means Federated.

1.25 PLAN YEAR - means the calendar year.

1.26 QUALIFIED JOINT AND SURVIVOR ANNUITY - means the form of Annuity described in Section 6.1.2(b) below.

1.27 REQUIRED COMMENCEMENT DATE - means, with respect to any Participant, a date determined by the Committee for administrative reasons to be the date on which the Participant's nonforfeitable retirement benefit (if any such benefit would then exist and not yet have begun) is to commence in order to meet the requirements of Section 401(a)(9) of the Code as such requirements are in effect in the first calendar year that the Participant reaches an age which requires the commencement of the Participant's nonforfeitable retirement benefit under such Code Section in such calendar year or the immediately following calendar year. Such date shall be a first day of a month and, for any Participant who has not in a calendar year ending prior to the Effective Amendment Date reached an age which required the commencement of the Participant's nonforfeitable retirement benefit in such calendar year or the immediately following calendar year, and subject to any subsequent changes to Code Section 401(a)(9), shall be in accordance with the following parameters:

(a) For a Participant who is not a 5% owner of the Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the calendar year in which he or she terminates employment with the Employer.

(b) For a Participant who is a 5% owner of the Employer, his or her Required Commencement Date must be no later than, and no earlier than seven months prior to, the April 1 of the calendar year next following the later of: (1) the calendar year in which he or she attains age 70-1/2; or (2) the earlier of the calendar year with or within which ends the Plan Year in which he or she becomes a 5% owner of the Employer or the calendar year in which he or she terminates employment with the Employer.

(c) A Participant is deemed to be a 5% owner of the Employer for purposes hereof if he or she is a 5% owner of the Employer (as determined under Section 416(i)(1)(B) of the Code) at any time during the Plan Year ending with or within the calendar year in which he or she attains age 66-1/2 or any subsequent Plan Year. Once a Participant meets this criteria, he or she shall be deemed a 5% owner of the Employer even if he or she ceases to own 5% of the

Employer in a later Plan Year.

(d) Notwithstanding the foregoing, if a Participant first earns a nonforfeitable retirement benefit under the Plan after the latest date which could otherwise be his or her Required Commencement Date under the foregoing paragraphs of this Section 1.27, then his or her Required Commencement Date shall not be subject to such foregoing paragraphs but rather must be a date within the calendar year next following the calendar year in which he or she first earns a nonforfeitable retirement benefit under this Plan.

1.28 RETIRED PARTICIPANT - means, as of any relevant time, a Participant who has previously ceased employment with the Employer when eligible for a retirement benefit under the other provisions of the Plan, who is still receiving or remains eligible for the payment of his or her benefit under this Plan, and who has not again begun accruing additional benefits under the Plan after the latest date he or she ceased employment.

1.29 SINGLE LIFE ANNUITY - means the form of Annuity described in Section 6.1.1(b) below.

1.30 SOCIAL SECURITY RETIREMENT AGE - means, with respect to any Participant, the age used as the Participant's retirement age under Section 216(l) of the Federal Social Security Act, as amended, except that such section shall be applied without regard to the age increase factor and as if the early retirement age under such section were age 62. Accordingly, as of the Effective Amendment Date, the Social Security Retirement Age for purposes of the Plan is: (1) age 65 for a Participant who is born before January 1, 1938; (2) age 66 for a Participant who is born after December 31, 1937 and before January 1, 1955; and (3) age 67 for a Participant who is born after December 31, 1954.

1.31 SPOUSE - means, with respect to any Employee and at any relevant time, the Employee's husband or wife who is recognized as such under the laws of the State in which the Employee resides at such time.

1.32 TRUST - means the trust agreement used from time to time as the funding media for the Plan. The Trust is hereby deemed a part of this Plan and incorporated into the Plan by reference.

1.33 TRUSTEE - means the person or entity serving from time to time as the Trustee under the Trust.

1.34 TRUST FUND - means the trust fund established in accordance with the Trust.

SECTION 2

SERVICE DEFINITIONS AND RULES

2.1 SERVICE DEFINITIONS. For purposes of the Plan, the following terms related to service shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 BREAK-IN-SERVICE - means, with respect to an Employee, any period which meets the following conditions:

(a) The Employee shall be considered to have incurred a Break-in-Service for any Plan Year which begins on or after the Effective Amendment Date and for which the Employee is credited with not more than 500 Hours of Service.

(b) If the Employee participated in a Prior Plan before the Effective Amendment Date, the Employee shall also be considered to have incurred a Break-in-Service for any twelve month period which occurs prior to the Effective Amendment Date to the extent that the provisions of the Prior Plan in which he or she last actively participated prior to the Effective Amendment Date treated such period as a break-in-service of the Employee as of December 31, 1996.

2.1.2 ELIGIBILITY SERVICE - means, with respect to an Employee, the Employee's period of service with the Employer to be taken into account for purposes of determining his or her eligibility to become a Participant in the Plan, computed as follows:

(a) An Employee who completes at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of such twelve consecutive month period.

(b) Further, an Employee who fails to complete at least 1,000 Hours of Service during the twelve consecutive month period commencing on his or her Employment Date shall be credited with one year of Eligibility Service at the end of the first Plan Year commencing after such Employment Date during which he or she completes at least 1,000 Hours of Service.

(c) For an Employee who both (1) ceases to be an Employee of the Employer prior to his or her being credited with one year of Eligibility Service, and (2) suffers a Break-in-Service before being subsequently reemployed by the Employer, his or her service with the Employer prior to his or her reemployment shall be disregarded in determining the Eligibility Service he or she needs under the Plan to become a Participant (and his or her Reemployment Date shall be treated as if it were his or her Employment Date for such purposes).

2.1.3 EMPLOYMENT DATE - means, with respect to an Employee, the date on which the Employee first performs an Hour of Service.

2.1.4 HOUR OF SERVICE - means, with respect to an Employee, each hour for which the Employee: (1) is paid, or is entitled to payment, for the performance of duties as an Employee; (2) is directly or indirectly paid, or is entitled to payment, for a period of time (without regard to whether the employment relationship is terminated) when he or she performs no duties as an Employee due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence; or (3) is paid for any reason in connection with his or her employment as an Employee an amount as "back pay," irrespective of mitigation of damages. The crediting of Hours of Service to an Employee under the Plan shall also be subject to the following provisions:

(a) Notwithstanding the foregoing provisions of this Section 2.1.4, an Hour of Service shall not be credited to an Employee on account of a payment which solely reimburses such Employee for medical, or medically related, expenses incurred by or on behalf of the Employee.

(b) Also, subject to the other provisions of this Section 2.1.4, Hour of Service credit shall be calculated in accordance with paragraphs (b) and (c) of 29 C.F.R. Section 2530.200b-2 of the Department of Labor Hour of Service Regulations, which paragraphs are hereby incorporated by reference into this Plan.

(c) Any Employee who is exempt from the minimum wage and overtime pay requirements of the Federal Fair Labor Standards Act, and as to whom records of actual hours worked are thereby not needed to be kept for such purposes, shall be credited with: (1) if the period on which such Employee is paid is a week (or a multiple of a week), 45 Hours of Service for each week included in each such period for which he or she would be credited with at least

one Hour of Service under the other provisions of this Section 2.1.4; (2) if the period on which such Employee is paid is a semi-monthly period, 95 Hours of Service for each such semi-monthly payroll period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4; or (3) if the period on which such Employee is paid is a month (or a multiple of a month), 190 Hours of Service for each month included in each such period for which he or she would be credited with at least one Hour of Service under the other provisions of this Section 2.1.4.

(d) Hours of Service to be credited to an Employee in connection with each period (1) which is of no more than 31 days, (2) which begins on the first day of a pay period for the Employee (for purposes of this paragraph (d), the "initial pay period"), (3) which ends on the last day of the Employee's pay period which includes the pay day for the initial pay period, and (4) which overlaps two computation periods or occurs in a month which overlaps two computation periods shall be credited on behalf of the Employee to the computation period in which falls the first day of the month during which the pay day for the initial pay period occurs.

2.1.5 REEMPLOYMENT DATE - means, with respect to an Employee who has previously incurred a Break-in-Service, the first day after the Employee's most recent Break-in-Service on which the Employee performs an Hour of Service.

2.1.6 SIX-YEAR BREAK-IN-SERVICE - means, with respect to an Employee who has ceased to be an Employee of the Employer, a period of six or more Breaks-in-Service which is not interrupted by any period which is not included in a period of a Break-in-Service.

2.1.7 VESTING SERVICE - means, with respect to a Participant, the Participant's service with the Employer which is taken into account under the Plan for vesting purposes (I.E., for purposes of determining the Participant's eligibility for and the nonforfeitable percentage of a retirement benefit under the Plan), and for purposes of helping to determine the pay credit amounts to be credited to the Participant's Cash Balance Account under the subsequent provisions of the Plan, computed as follows:

(a) The Participant shall be credited with one year of Vesting Service for each Plan Year which begins on or after the Effective Amendment Date and for which the Participant is credited with at least 1,000 Hours of Service.

(b) The Participant shall also be credited with years of Vesting Service equal to the number of years of vesting service he or she was credited with as of December 31, 1996 under the terms (as then in effect) of the Prior Plans in which he or she participated prior to the Effective Amendment Date (taking into account the provisions of each such Prior Plan for determining benefit accrual service, including each such plan's provisions concerning breaks-in-service). In no event, however, shall any period which occurs prior to the Effective Amendment Date be counted more than once in determining the Participant's years of Vesting Service.

(c) Notwithstanding the foregoing, any Vesting Service completed by the Participant prior to a Six-Year Break-in-Service of the Participant which ends after the Effective Amendment Date shall be disregarded under the Plan if the Participant did not have a nonforfeitable interest in any retirement benefit under the Plan at the time such Break-in-Service began.

2.2 SPECIAL CREDITED EMPLOYMENT. For purposes of the Plan, years during which an Employee was employed by a corporate or other predecessor of any corporation which becomes part of the Employer or an Affiliated Employer after the Effective Amendment Date, or by any division (including any branch thereof) of the Employer or an Affiliated Employer whose business is acquired by the Employer or the Affiliated Employer after the Effective Amendment Date, shall be considered in either case years of Eligibility Service and Vesting Service for this Plan if they would have been so considered under Section 2.1.2 or 2.1.7 above (as appropriate) had they been completed with the Employer or the

Affiliated Employer and if the Employee had been employed by such predecessor or division at the time it so became part of or had its business acquired by the Employer or the Affiliated Employer (unless Federated provides, by

appropriate corporate action exercised in a uniform and nondiscriminatory manner prior to the Employee becoming a Participant in this Plan, that such Eligibility Service and/or Vesting Service shall not be so credited to the Employee). In addition, Federated may also in its discretion provide, by appropriate corporate action exercised in a uniform and nondiscriminatory manner, that, for purposes of the Plan, years of an Employee's employment by a lessee of a leased department of a store operated by the Employer whose business is directly assumed by the Employer shall be considered years of Eligibility Service and/or Vesting Service for this Plan if they would have been so considered under Section 2.1.2 or 2.1.7 above (as appropriate) had they been completed with the Employer and if the Employee had been employed by the lessee of such leased department at the time its business was directly assumed by the Employer. Also, any period of service of an Employee with the armed forces of the United States shall be credited as Eligibility Service and/or Vesting Service to the extent required by Federal law.

2.3 AFFILIATED EMPLOYMENT. Notwithstanding any other provision of the Plan to the contrary:

2.3.1 Any period of employment of a person with the Employer during which the person is not considered an Employee, any period of employment with an Affiliated Employer, and any period during which a person is a Leased Employee shall in any such case, regardless of whether occurring prior to or after employment as an Employee of the Employer, be considered in the same manner as employment as an Employee of the Employer for purposes of crediting years of Eligibility Service and Vesting Service under this Plan to such person (other than for purposes of determining the pay credit amounts to be credited to the person's Cash Balance Account under the subsequent provisions of this Plan), determining if such person has incurred a Break-in-Service, and determining if and when such person has a vested right to a benefit under the Plan.

2.3.2 Further, a transfer of status from that of being an Employee to other employment with the Employer or to any employment with an Affiliated Employer shall in any such case not be considered a termination of employment from the Employer for purposes of determining when a benefit of this Plan due a Participant, if any, is to be or begin to be distributed or whether the lump sum value of such benefit is low enough so that the form of such benefit is automatically to be paid in a lump sum form; rather, such termination of employment and the time at which the lump sum value of the benefit is determined for purposes of seeing if the Participant's benefit is automatically to be paid in a lump sum form shall be deemed to occur only upon the Participant's later termination of employment from the group composed of the Employer and all Affiliated Employers.

2.3.3 In addition, any person who during any Plan Year is an employee of the Employer other than as an Employee, is an employee of an Affiliated Employer, or is a Leased Employee shall be considered an Employee, and any compensation received in any such capacity during such Plan Year shall (if determined under the same principles as are set forth at Section 1.10 above) be considered as Compensation, for purposes of determining the persons

who are the Highly Compensated Employees, and the Former Highly Compensated Employees for such Plan Year or the immediately following Plan Year.

2.3.4 Also, any compensation received during a period by a person in the capacity of being an employee of the Employer other than as an Employee, an employee of an Affiliated Employer, or a Leased Employee shall (if determined under the same principles as are set forth at Section 1.10 above or, if another definition of compensation is used under any of the below-named Plan

Sections, in accordance with such definition when being considered under such Plan Section) be considered as Compensation of his or hers for such period for purposes of Section 8 below (which provides maximum benefit limits and limits on benefits payable on or prior to the Plan's termination) and Section 14 below (which provides top heavy plan rules).

2.3.5 Finally, except as is otherwise expressly provided in this Plan or by Federated pursuant to express authorization provided in this Plan (including but not limited to Sections 8 and 14 below), any period of employment of a person by the Employer during which the person is not considered an Employee, any period of employment with an Affiliated Employer, and any period during which a person is a Leased Employee, and any compensation or remuneration received during any such period, shall not be used in any manner in calculating the amount of any benefit to which the person is entitled under this Plan.

SECTION 3

ELIGIBILITY AND PARTICIPATION

3.1 ELIGIBILITY FOR PARTICIPATION. Persons shall remain or become Participants in the Plan on or after the Effective Amendment Date only in accordance with the following provisions:

3.1.1 Any person who was a participant in the Plan on the date immediately preceding the Effective Amendment Date shall continue to be a Participant in this Plan as of the Effective Amendment Date, unless he or she is no longer an Employee as of the Effective Amendment Date.

3.1.2 Further, each other person who, as of any Entry Date which occurs on or after the Effective Amendment Date, (1) has completed at least one year of Eligibility Service, (2) has attained at least age 21, and (3) is an Employee shall become a Participant as of such Entry Date. Notwithstanding the foregoing, if a person would become a Participant as of any Entry Date under the foregoing provisions of this Section 3.1.2 but for the fact he or she is not an Employee, and he or she subsequently becomes an Employee, such Employee shall be deemed a Participant in the Plan on the date he or she so subsequently becomes an Employee.

3.2 ENTRY DATE. For purposes of the Plan and Section 3.1 above in particular, an "Entry Date" means the first day of any calendar month.

3.3 DURATION OF PARTICIPATION. Each Participant in the Plan shall continue to be a Participant until he or she has ceased to be an Employee and the entire amount of his or her Accrued Benefit determined at such time has been distributed or forfeited hereunder.

3.4 REINSTATEMENT OF PARTICIPATION. Any person who ceases to be a Participant, but who is thereafter reemployed as an Employee by the Employer, shall be reinstated as a Participant as of the date on which he or she next completes an Hour of Service on or after such reemployment.

SECTION 4

CASH BALANCE ACCOUNT

4.1 GENERAL RULES FOR CASH BALANCE ACCOUNT. The Committee shall establish a bookkeeping account, known as a "Cash Balance Account" in this Plan, with respect to each Participant who is an Active Participant in this Plan on or after the Effective Amendment Date. The monthly or lump sum amount of a Participant's retirement benefit under the subsequent provisions of this Plan, if any, is generally determined on the basis of the dollar amount credited to the Participant's Cash Balance Account on the date as of such benefit is paid or commences to be paid to the Participant. A Participant's Cash Balance Account does not represent an actual funded account under which the Participant has a specific right to assets under the Trust or an account which reflects a specific part of the Trust; instead, it represents only a bookkeeping account to which bookkeeping amounts are credited and which is generally used to determine the amount of the Participant's retirement benefit, if any, which exists under the Plan. The Cash Balance Account of a Participant is credited with (1) an initial balance amount to the extent provided in Section 4.2 below, (2) pay credit amounts to the extent provided in Section 4.3 below, and (3) interest credit amounts to the extent provided in Section 4.4 below.

4.2 INITIAL BALANCE AMOUNTS. If a Participant becomes an Active Participant in this Plan on or after the Effective Amendment Date, after having participated in any Prior Plan prior to the Effective Amendment Date, and if the Participant's accrued benefit under any such Prior Plan has not commenced to be paid prior to such date, then the Participant's Cash Balance Account shall be credited on the later of the Effective Amendment Date or the date he or she first becomes an Active Participant in this Plan on or after the Effective Amendment Date with an amount, called an "initial balance amount" in this Plan, equal to the present value on such date of the sum of the Participant's accrued benefits (which have not commenced to be paid) under the Prior Plans as determined immediately prior to such date (and as if each such accrued benefit was payable in the form of Annuity under which the applicable Prior Plan's accrued benefit was determined under such plan's benefit formula terms and as if such accrued benefit commenced as of the later of the Participant's Normal Retirement Date or the date on which such initial balance amount is credited to the Participant's Cash Balance Account).

4.3 PAY CREDIT AMOUNTS. The Cash Balance Account of each Participant shall be credited with a certain amount, called a "pay credit amount" in this Plan, for each Plan Year which meets all of the following conditions: (1) it is a Plan Year which begins on or after the Effective Amendment Date, (2) it is a Plan Year for which the Participant is credited with a year of Vesting Service, (3) it is a Plan Year in which the Participant is a Participant during at least part of such year, and (4) it is a Plan Year for which the Participant has Compensation. Any pay credit amount to be credited to a Participant's Cash Balance Account for a specific Plan Year shall be credited to such account as of the last day of such Plan Year (or, if the Participant both ceases to be an Employee during such Plan Year or any earlier Plan Year and thereafter receives or begins receiving a retirement benefit under the Plan as of a date during but prior to

the last day of the Plan Year for which the pay credit amount is being credited, on the date as of which such benefit is paid or begins being paid under the Plan). The pay credit amount which will be credited to a Participant's Cash Balance Account for any Plan Year (for which such an amount is required to be so credited) shall be determined from the following table (based on the Participant's total number of years of Vesting Service credited to him or her at the start of such Plan Year and on his or her Compensation for the period which begins on the first date in such Plan Year on which he or she is a Participant and ends on the date on which such pay credit amount is credited):

<TABLE>
<CAPTION>

YEARS OF VESTING SERVICE (credited to Participant at the start of the Plan Year for which the pay credit amount is credited)	PAY CREDIT AMOUNT

<S>	<C>
1 but less than 3	2.0% of Participant's Compensation for Plan Year
3 but less than 5	2.5% of Participant's Compensation for Plan Year
5 but less than 10	3.0% of Participant's Compensation for Plan Year
10 but less than 15	4.0% of Participant's Compensation for Plan Year
15 but less than 20	5.0% of Participant's Compensation for Plan Year
20 but less than 25	6.0% of Participant's Compensation for Plan Year
25 or more	8.0% of Participant's Compensation for Plan Year

</TABLE>

4.4 INTEREST CREDIT AMOUNTS. The Cash Balance Account of each Participant shall be credited with a certain amount, called an "interest credit amount" in this Plan, for each calendar quarter which begins on or after the Effective Amendment Date, provided that such Cash Balance Account has a positive balance both at the start and at the end of such calendar quarter. The interest credit amount to be credited to the Participant's Cash Balance Account for any calendar quarter (for which such an amount is required to be so credited) shall be credited as of the last day of such calendar quarter and shall be equal to the amount of interest that would be generated by the dollar amount credited to the Participant's Cash Balance Account as of the first day of such calendar quarter if such amount earned interest to the last day of such calendar quarter based on the greater of (1) the annual interest rate on 30-year U.S. Treasury securities for the second calendar month which precedes the start of the Plan Year during which such interest credit amount is credited or (2) an interest rate equal to 5-1/4% per annum.

4.5 REDUCTION OF CASH BALANCE ACCOUNT. The entire amount credited to a Participant's Cash Balance Account will be reduced to zero on any date that a retirement benefit (or an additional amount of retirement benefit) which is based on the balance of such Cash Balance Account as of such date is paid or begins to be paid to the Participant under the subsequent provisions of the Plan or on any date that the Participant's entire Accrued Benefit is forfeited under the subsequent provisions of the Plan.

SECTION 5

RETIREMENT BENEFITS

5.1 NORMAL RETIREMENT. A Participant who ceases to be an Employee (other than by reason of his or her death) after attaining his or her Normal Retirement Age, and within the calendar month in which he or she attains such age, shall be entitled to a retirement benefit under the Plan (unless he or she dies before the date as of which the benefit begins to be paid). Unless otherwise provided under or pursuant to the other provisions of the Plan, such retirement benefit shall: (1) commence as of the Participant's Normal Retirement Date; (2) be paid in the form a Single Life Annuity; and (3) provide, if the retirement benefit would be paid in the form of a Single Life Annuity which commences as of the Participant's Normal Retirement Date, a monthly amount equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence.

5.2 LATE RETIREMENT. A Participant who continues to be an Employee following the calendar month in which he or she first attains Normal Retirement Age shall be entitled to a retirement benefit under the Plan (unless he or she dies before the commencement date as of which the benefit begins to be paid). Unless otherwise provided under or pursuant to the other provisions of the Plan, such retirement benefit shall: (1) commence as of the earlier of (A) the first day of the first month which begins on or after the date the Participant ceases to be an Employee or (B) the Participant's Required Commencement Date; (2) be paid in the form of a Single Life Annuity; and (3) provide, if the retirement benefit would be paid in the form of a Single Life Annuity which commences as of the earlier of the dates set forth in clause (1) above, a monthly amount equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as

of which such monthly retirement benefit is to commence.

5.3 DISABILITY RETIREMENT.

5.3.1 A Participant who ceases to be an Employee by reason of his or her total disability prior to his or her Normal Retirement Date shall be entitled to a retirement benefit under the Plan (unless he or she dies, or ceases to be totally disabled under the provisions of Section 5.3.4 below, before the date as of which the benefit begins to be paid). Unless otherwise provided under or pursuant to the other provisions of the Plan, such retirement benefit shall: (1) commence as of the Participant's Normal Retirement Date; (2) be paid in the form of a Single Life Annuity; and (3) provide, if the retirement benefit would be paid in the form of a Single Life Annuity which commences as of the Participant's Normal Retirement Date, a monthly amount equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence.

5.3.2 For purposes of the Plan, "total disability" or "totally disabled" means or refers, with respect to any Participant, to the Participant's permanent and continuous mental or physical inability by reason of injury, disease, or condition to meet the requirements of any employment for wage or profit. A Participant shall be deemed to be disabled for purposes of this Plan only when both of the following two requirements are met. First, a licensed physician or psychiatrist must provide to the Plan a written opinion that the Participant is totally disabled as that term is defined above. Second, the Participant must be eligible for and receive total disability benefits under Section 223 of the Federal Social Security Act, as amended, or any similar or subsequent section or act of like intent or purpose (unless the Committee determines, based on the written opinion of a licensed physician or psychiatrist provided the Committee pursuant to the immediately preceding sentence, that the Participant would be likely to qualify for such total disability benefits if he or she survived a sufficient amount of time to be processed for and receive such benefits but that he or she is also likely to die before he or she would otherwise be determined by the Social Security Administration or other applicable government agency to qualify for or to receive such benefits).

5.3.3 Further, and notwithstanding any other provision of the Plan, a Participant who becomes totally disabled for purposes of this Plan while an Employee shall be credited with a year of Vesting Service (as otherwise defined in Section 2.1.7 above) for each full or partial Plan Year included in the period from the date he or she becomes totally disabled and prior to the earlier of the date as of which his or her retirement benefit under the Plan commences (under Section 5.3.1 above or, if earlier, under Section 5.5 below) or his or her Normal Retirement Date; except that the Participant shall not be credited with a year of Vesting Service for a Plan Year under this Section 5.3.3 if he or she is credited with a year of Vesting Service for such Plan Year under the other provisions of this Plan. The Participant shall also be deemed to receive Compensation during each year of Vesting Service credited to the Participant under this Section 5.3.3 equal to the Compensation he or she received in the last full Plan Year which ended on or prior to the date he or she became totally disabled.

5.3.4 If a Participant who becomes totally disabled while an Employee has his or her Social Security disability benefit terminate (because he or she is no longer deemed by the Social Security Administration to be totally disabled) prior to the date as of which a disability retirement benefit under this Section 5.4 begins to be paid, then such Participant shall cease at that time to be considered totally disabled, shall cease at that time to accrue any additional years of Vesting Service under Section 5.3.3 above, and, solely for purposes of determining whether he or she is then entitled to a retirement benefit under Section 5.4 below, shall be considered to have ceased to be an Employee (for a reason other than total disability) at such time.

5.4 VESTED RETIREMENT.

5.4.1 A Participant who ceases to be an Employee (other than

by reason of his or her death) prior to becoming eligible for any other type of retirement under the foregoing provisions of this Section 5, but who is eligible to receive a vested retirement benefit pursuant to the provisions of Section 5.4.2 below, shall be entitled to a retirement benefit under the Plan

(unless he or she dies before the date as of which the benefit begins to be paid). Unless otherwise provided under or pursuant to the other provisions of the Plan, such retirement benefit shall: (1) commence as of the Participant's Normal Retirement Date; (2) be paid in the form of a Single Life Annuity; and (3) provide, if the retirement benefit would be paid in the form of a Single Life Annuity which commences as of the Participant's Normal Retirement Date, a monthly amount equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence.

5.4.2 A Participant shall be deemed eligible to receive a vested retirement benefit under this Section 5.4 if he or she ceases to be an Employee (other than by reason of his or her death) either: (1) after completing at least five years of Vesting Service; or (2) by reason of the closing or sale (not including the merger into any Employer or Affiliated Employer or into any division or facility of an Employer or Affiliated Employer) of any Employer (or any division or facility of an Employer) while he or she is employed by such Employer (or division or facility of such Employer).

5.5 PREMATURE BENEFIT PAYMENTS.

5.5.1 Subject to the other provisions of this Plan (including but not limited to the provisions of Sections 5.6.1, 5.6.2, 6.2.4, and 6.2.5 below), a Participant who is eligible for a disability retirement benefit under Section 5.3 above or a Participant who is eligible for a vested retirement benefit under Section 5.4 above may (in either such case) elect in writing to a Plan representative (on a form prepared or approved by the Committee) to begin his or her retirement benefit as of the first day of any calendar month which occurs (1) prior to the calendar month in which he or she attains his or her Normal Retirement Date and (2) after the calendar month in which he or she ceases to be employed by the Employer.

5.5.2 If a Participant elects to begin his or her retirement benefit prior to his or her Normal Retirement Date under Section 5.5.1 above, then the date as of which the Participant elects to begin such retirement benefit shall be referred to herein as his or her "earlier commencement date." For purposes of this Plan and notwithstanding any other provisions contained in Section 5.3 or 5.4 above, if a Participant's retirement benefit were to begin as of an earlier commencement date (by reason of the Participant's election under this Section 5.5) and to be paid in the form of a Single Life Annuity, then the monthly amount of such Single Life Annuity shall be equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence.

5.6 LATE BENEFIT ELECTION.

5.6.1 Notwithstanding the foregoing provisions of this Section 5 but subject to the provisions of Section 5.6.2 below, the date as of which any retirement benefit to which a Participant is entitled under this Plan is to commence shall be deferred to the extent necessary

so that it is not prior to the first day of the first calendar month which begins on or after the date the latest written explanation described in Section 6.2.4 above which precedes the payment of the Participant's benefit was provided to the Participant; except that in no event shall such retirement benefit commence later than as of the Participant's Required Commencement Date.

5.6.2 For purposes of the Plan, if a Participant's retirement benefit were to begin as of any date after the date as of which such benefit would otherwise commence under the provisions of this Section 5 which precede this Section 5.6 (by reason of the provisions of this Section 5.6) and to be paid in the form of a Single Life Annuity, then the monthly amount of such Single Life Annuity shall be equal to the amount which makes such monthly retirement benefit actuarially equivalent to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence.

5.7 REQUIRED COMMENCEMENT OF BENEFITS UNDER SECTION 401(A)(14) OF CODE. Pursuant to Section 401(a)(14) of the Code and Treas. Reg. Section 1.401(a)-14(a), any retirement benefit which is to be paid to a Participant under the other provisions of the Plan must begin to be paid to the Participant (provided he or she survives to the date as of which his or her benefit commences to be paid) as of a date which is not later than the 60th day after the close of the Plan Year in which the latest of the following events occurs: (1) the attainment by the Participant of age 65 (which is his or her earliest possible Normal Retirement Age under the Plan); (2) the tenth annual anniversary of the date on which the Participant commenced his or her participation in the Plan; or (3) the termination of the Participant's service with the Employer and the Affiliated Employers. Notwithstanding the preceding sentence, the Plan may require, as an administrative convenience, that the Participant properly complete and file a claim for his or her benefit before the payment of the benefit commences. Also, by reason of Section 401(a)(9) of the Code, in no event will the Participant's retirement benefit commence later than as of his or her Required Commencement Date.

5.8 OTHER CESSATION OF EMPLOYMENT. Except as otherwise provided in Section 7 below, if a Participant dies prior to the date as of which any retirement benefit to which he or she is entitled under any of the provisions of this Plan is to begin to be paid, or if the Participant ceases to be an Employee for any reason at a time when he or she is not entitled to a retirement benefit under any provision of the Plan, neither he or she nor any person claiming by or through him or her shall be entitled to receive a benefit under the Plan. In such case, his or her prior interest under this Plan (including his or her prior interest in his or her Accrued Benefit) shall be forfeited pursuant to the provisions of Section 9.8 below.

SECTION 6

FORM OF RETIREMENT BENEFITS

6.1 NORMAL FORM OF BENEFIT.

6.1.1 (a) Subject to the other terms of the Plan, if a Participant is not married as of the date a retirement benefit under the Plan commences to be paid to him or her, such retirement benefit shall be paid in the form of a Single Life Annuity.

(b) For purposes of the Plan, a "Single Life Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life and end with the last monthly payment due for the month in which the Participant dies.

6.1.2 (a) Subject to the other terms of the Plan, if a Participant is married as of the date a retirement benefit under the Plan commences to be paid to him or her, such retirement benefit shall be paid in the form of a Qualified Joint and Survivor Annuity. In such case, the monthly amount payable to the Participant during his or her life under such Qualified Joint and Survivor Annuity shall be equal to the monthly amount which makes such Qualified Joint and Survivor Annuity actuarially equivalent to the Participant's retirement benefit if it was paid in a Single Life Annuity form beginning as of the same commencement date as applies to such Qualified Joint and Survivor

Annuity.

(b) For purposes of the Plan, a "Qualified Joint and Survivor Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and after his or her death monthly survivor payments continue to the person who is the Spouse of the Participant on the date as of which the Annuity commences to be paid to the Participant (provided such Spouse survives the Participant) for such Spouse's life. Each monthly survivor payment to such person is equal in amount to 50% (or, if the Participant so elects in writing to a Plan representative within the 90 day period ending on the date as of which the retirement benefit commences, 66-2/3%, 75%, or 100%) of the monthly payment amount made during the life of the Participant under the same Annuity.

6.1.3 The date any retirement benefit, if paid in the normal form under this Section 6.1, shall commence is determined under the provisions of Section 5 above.

6.2 ELECTION OUT OF NORMAL FORM AND OF OPTIONAL FORM.

6.2.1 A Participant entitled to a retirement benefit under the Plan may elect to waive the normal form in which such benefit shall otherwise be paid under Section 6.1 above and instead to have such benefit paid in any specific optional form permitted him or her under Section 6.3 below, provided such election is made in writing and filed with a Plan representative (on a form prepared or approved by the Committee) by the end of the 90 day period ending on

the date as of which his or her retirement benefit commences to be paid, except that: (1) if the written explanation described in Section 6.2.4 below is provided to the Participant less than 30 days before the date as of his or her retirement benefit is to commence to be paid under the other provisions of the Plan, the period in which the Participant may elect to waive the normal form in which his or her retirement benefit shall otherwise be paid and instead to have such benefit paid in an optional form shall, subject to the provisions of clause (2) below, not end before the 30th day after the date such written explanation is provided to the Participant; and (2) if the conditions of Section 6.2.5 below are met, the Participant may elect to waive the 30-day requirement set forth in clause (1) above. In addition, for a Participant who is married on the date as of which his or her retirement benefit commences, his or her election of any optional form shall not be effective unless the person who is the Spouse of the Participant consents, in a writing filed with a Plan representative, to such election within the same period in which the Participant has to make his or her election, with the Spouse's consent acknowledging the effect of such consent and being witnessed by a notary public. Any such Spouse's consent shall be irrevocable once received by a Plan representative.

6.2.2 Notwithstanding the provisions of Section 6.2.1 above, a consent of a Spouse shall not be required for purposes of Section 6.2.1 above if it is established to the satisfaction of a Plan representative that the otherwise required consent cannot be obtained because no Spouse exists, because the Spouse cannot reasonably be located, or because of such other circumstances as the Secretary of the Treasury or his or her delegate allows in regulations.

6.2.3 The Participant may amend or revoke his or her election of a form of payment different than the normal form applicable to him or her under Section 6.1 above by written notice filed with a Plan representative at any time before the date as of which his or her election of the optional form had to have been made; provided that if the Participant attempts upon such an amendment to elect another form of payment different from the normal form applicable to him or her, the conditions of Sections 6.2.1 and 6.2.2 above must be satisfied as if such amendment were a new election.

6.2.4 The Committee will provide each Participant who is entitled to a retirement benefit under the Plan a written explanation of (1) the terms and conditions of the normal form, (2) the Participant's rights to make and the effect of an election out of the normal form, (3) the requirement, if applicable, that the Participant's Spouse consent to any such election out, and (4) the right of the Participant to revoke such an election out at any time

before the date as of which his or her retirement benefit commences to be paid to him or her. Such written explanation shall be provided to the Participant: (1) initially within a reasonable administrative period after the Participant, if he or she had been provided such written explanation, first could elect to commence the payment of his or her retirement benefit under the other provisions of the Plan; and (2) also, if appropriate, within a reasonable administrative period after the Participant notifies at any later time the Committee that he or she desires to commence payment of his or her benefit (if he or she is then eligible to commence such benefit) and/or within a reasonable administrative period prior to the latest date that such benefit must commence under the other provisions of the Plan. Except as is otherwise provided in the Plan,

the date as of which the Participant's retirement benefit under the Plan may commence may not be more than 90 days after the date such written explanation is provided to the Participant. For purposes of this Plan, the Committee shall be deemed to have provided the Participant with such written explanation on the date such written explanation either is personally delivered or faxed to the Participant or is deposited in the mail (first class or certified mail, postage prepaid) by the Committee or a Plan representative.

6.2.5 Notwithstanding the provisions of Section 6.2.1 above, the election of the Participant to waive the normal form in which his or her retirement benefit shall otherwise be paid and instead to have such benefit paid in an optional form may be made and put into effect less than 30 days after the written explanation described in Section 6.2.4 above is provided to the Participant, provided all of the following requirements are met: (1) the Committee or a Plan representative provides written information to the Participant clearly indicating that he or she has a right to at least 30 days to consider whether to waive the normal form in which his or her retirement benefit will otherwise be paid and consent to a different optional form of benefit; (2) the Participant affirmatively elects the payment of his or her benefit in any form no more than 90 days after the written explanation described in Section 6.2.4 above is provided to him or her; (3) the Participant is permitted to revoke an affirmative election he or she makes for payment of his or her benefit in any form at least until the later of the date as of which the Participant's retirement benefit under the Plan will commence or the expiration of the seven-day period that begins on the day after the written explanation described in Section 6.2.4 above is provided to the Participant; and (4) the actual distribution of the retirement benefit in accordance with the Participant's affirmative election does not begin before the expiration of the seven-day period that begins on the day after the written explanation described in Section 6.2.4 above is provided to the Participant.

6.3 OPTIONAL BENEFIT FORMS.

6.3.1 A Participant entitled to a retirement benefit under the Plan may elect to receive such benefit, in lieu of the normal form of benefit otherwise payable under Section 6.1 above and provided all of the election provisions of Section 6.2 above are met, in any of the following optional forms: (1) a Single Life Annuity (which is an optional form only for a Participant who is married as of the date a retirement benefit commences to be paid to him or her); (2) a Life and Five Year Certain Annuity; (3) a Life and Ten Year Certain Annuity; (4) a Life and Twenty Year Certain Annuity; (5) a Joint and Survivor Annuity; (6) a Social Security Leveling Annuity; or (7) a lump sum cash payment.

6.3.2 If a Participant's retirement benefit is to be paid in an optional Annuity form, the date as of which such retirement benefit shall commence shall be the same as the date determined under Section 5 above to be the date as of which such benefit shall commence. If a Participant's retirement benefit is to be paid in an optional lump sum payment form, the date as of which such retirement benefit shall be paid shall be the later of the date determined under Section 5 above to be the date as of which the Participant's benefit shall commence or the first day of the month in which the lump sum payment is made.

6.3.3 Except as may otherwise be provided in the Plan, if an optional Annuity form of benefit (other than a Single Life Annuity) is elected by any Participant for his or her retirement benefit under the Plan, then the monthly amount of such optional form shall be equal to the amount which makes such optional Annuity form actuarially equivalent to the Participant's retirement benefit if it was paid in a Single Life Annuity form beginning as of the same date as of which the optional Annuity form begins to be paid. Except as may otherwise be provided in the Plan, if an optional lump sum payment form of benefit is elected by any Participant for his or her retirement benefit under the Plan, then the lump sum amount of such optional form shall be equal to the amount credited to the Participant's Cash Balance Account on the date as of which such optional lump sum payment form is to be paid.

6.3.4 Notwithstanding any other provision of this Plan to the contrary, any payment of a retirement benefit in an optional form must meet and be in accordance with the distribution requirements of Section 401(a)(9) of the Code, including the incidental death benefit requirements which are referred to in such section, and such section is hereby incorporated by reference into this Plan.

6.3.5 For purposes of the Plan, the following terms related to optional benefit forms shall have the meanings hereinafter set forth unless the context otherwise requires:

(a) A "Life and Five Year Certain Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and such payments end with the last monthly payment due for the month in which the Participant dies if at least 60 monthly payments have been made on behalf of the Participant. If not, the monthly payments continue after the Participant's death to a contingent beneficiary of the Participant until 60 monthly payments have been made, when aggregated, to the Participant and the Participant's contingent beneficiary under this Annuity. The Participant shall name the contingent beneficiary under this Annuity in his or her election of this form.

(b) A "Life and Ten Year Certain Annuity" has the same meaning and is subject to the same rules as apply to a Life and Five Year Certain Annuity under paragraph (a) above, except that each reference to "60" contained in paragraph (a) above shall be read for this purpose to be a reference to "120."

(c) A "Life and Twenty Year Certain Annuity" has the same meaning and is subject to the same rules as apply to a Life and Five Year Certain Annuity under paragraph (a) above, except that each reference to "60" contained in paragraph (a) above shall be read for this purpose to be a reference to "240."

(d) A Joint and Survivor Annuity" means an Annuity payable as follows. Monthly payments are made to a Participant for his or her life, and after his or her death monthly survivor payments continue to a contingent beneficiary of the Participant (provided such person survives the Participant) for the contingent beneficiary's life. Each monthly survivor payment to the contingent beneficiary shall be equal to 50%, 66-2/3%, 75%,

or 100% (as the Participant chooses in his or her election of this form) of the monthly payment amount made during the life of the Participant under the same Annuity. The Participant shall name the contingent beneficiary in his or her election of this form, who may be any person other than the Participant's Spouse.

(e) A "Social Security Leveling Annuity" means an Annuity payable as follows. Monthly payments must begin being paid to the Participant prior to the first month (for purposes of this paragraph (e), the "first Social Security month") in which the Participant would be entitled (upon proper application) to receive on a reduced or unreduced basis his or her primary old-age Federal Social Security Act benefit (which first Social Security

month is generally the month in which the Participant attains age 62). Further, the monthly payments under such Annuity are made to the Participant in a manner that (1) treats the monthly payments under such Annuity and the monthly payments of the Participant's primary old-age Federal Social Security Act benefit that the Committee reasonably determines would be received by the Participant beginning in his or her first Social Security month (if such Social Security benefit would begin in such month) as if they were part of one combined Single Life Annuity (for purposes of this paragraph (e), the "combined Annuity") and (2) makes, to the maximum extent possible, the payment under the combined Annuity for each month prior to the Participant's first Social Security month equal to the payment under the combined Annuity for each month on or after the Participant's first Social Security month. For purposes hereof, the Committee shall determine the monthly payments of the Participant's primary old-age Federal Social Security Act benefit that would be received by the Participant beginning in his or her first Social Security month on the basis of the benefit and wage base levels in effect under the Federal Social Security Act on the date as of which the Annuity is to commence and on the basis of a compensation record determined in accordance with the following rules:

(i) For each of the first calendar year in which the Participant completed an Hour of Service and all prior calendar years, the Participant shall be deemed to have wages for Federal Social Security Act purposes equal to the result produced by discounting his or her Compensation for the calendar year immediately following the first calendar year in which the Participant completed an Hour of Service backwards to the applicable calendar year, using for this purpose the actual change in the average wages as determined by the Federal Social Security Administration;

(ii) For each of the calendar years beginning with the calendar year immediately following the first calendar year in which the Participant first completed an Hour of Service and ending with the last full calendar year ending on or before the latest date on which he or she completed an Hour of Service, the Participant shall be deemed to have wages for Federal Social Security Act purposes equal to his or her Compensation for the applicable calendar year; and

(iii) For the period which begins on the first day of the first calendar year ending after the latest date on which he or she completed an Hour of Service and ends on the date the Participant first attains his or her Normal Retirement Age, the Participant

shall be deemed to have an annual rate of wages for Federal Social Security Act purposes equal to the Participant's Compensation for the last full calendar year ending on or before the latest date on which he or she completed an Hour of Service.

6.4 AUTOMATIC LUMP SUM PAYMENT. Notwithstanding any other provision of the Plan to the contrary, if any retirement benefit payable under the Plan to a Participant has a present value of $3,500 or less as of the first date after the Participant terminates employment with the Employer on which the Plan is administratively able to distribute such benefit (or, if earlier, as of his Required Commencement Date), and if such Participant has not previously started to receive such retirement benefit, then such retirement benefit shall be converted to and paid as a lump sum cash payment as of such date (with the amount of such payment equal to such present value amount). Except as may otherwise be provided in the Plan, the present value of a Participant's retirement benefit as of any date shall be deemed to be equal to the amount credited to the Participant's Cash Balance Account on such date.

6.5 MINIMUM BENEFITS.

6.5.1 Notwithstanding any other provision of the Plan to the contrary, in determining the monthly amount, lump sum amount, or present value of any retirement benefit under this Plan which is applicable to any Participant who was a participant in one or more of the Prior Plans on December 31, 1996, the following minimum benefit provisions shall apply:

(a) The monthly amount of such Participant's

retirement benefit under this Plan, if such retirement benefit is paid in the form of a Single Life Annuity which commences as of such Participant's Normal Retirement Date (or any later date), shall not in any event be less than the monthly amount which would have applied to such retirement benefit under the terms of the Prior Plans as in effect on December 31, 1996 (including such plans' terms as to actuarial assumptions) if such monthly amount had been determined without regard to any service of the Participant as an Employee after such date (and, if such Participant was a participant in more than one Prior Plan on December 31, 1996, if the retirement benefits provided under the Prior Plans to such Participant were aggregated and considered as one benefit).

(b) Further, the monthly amount of such Participant's retirement benefit under this Plan, if such retirement benefit is paid in any Annuity form which commences as of any date (other than in the form of a Single Life Annuity which commences as of such Participant's Normal Retirement Date or any later date), shall not in any event, if both the form of Annuity and the date as of which the Participant's retirement benefit under this Plan commences had been permitted to be an Annuity form of benefit and a retirement benefit's commencement date under the Prior Plans in which the Participant was a participant on December 31, 1996, be less than the monthly amount which would have applied to such retirement benefit under the terms of the Prior Plans as in effect on December 31, 1996 (including such plans' terms as to actuarial assumptions) if such monthly amount had been determined without regard to any service of the Participant as an Employee after such date (and,

if the Participant was a participant in more than one Prior Plan on December 31, 1996, if the retirement benefits provided under the Prior Plans to the Participant were aggregated and considered one benefit).

(c) In addition, the lump sum amount or present value of such Participant's retirement benefit under this Plan, if such retirement benefit is paid in the form of a lump sum cash payment as of any date or if the present value of such benefit is being determined as of any date under the Plan, shall not in any event be less than the amount or present value which makes such benefit actuarially equivalent (as determined under the provisions of Section 9.5 below) to the retirement benefit which, if determined to be payable in the form of a Single Life Annuity which commences as of the later of such Participant's Normal Retirement Date or the date as of which such lump sum payment is made or such present value is determined, would have been applicable to the Participant under the terms of the Prior Plans as in effect on December 31, 1996 if such benefit had been determined without regard to any service of the Participant as an Employee after such date (and, if such Participant was a participant in more than one Prior Plan on December 31, 1996, if the retirement benefits provided under the Prior Plans to such Participant were aggregated and considered one benefit).

6.5.2 Further, and also notwithstanding any other provision of the Plan to the contrary, if (1) any Participant who was a participant (and was continuing to accrue benefits) in one or more of the Prior Plans on December 31, 1996 ceases to be an Employee prior to January 1, 2002, (2) such Participant has both attained age 55 and completed at least ten years of Vesting Service at the time he or she ceases to be an Employee, (3) such Participant becomes entitled to receive a retirement benefit under this Plan, and (4) such retirement benefit is to be paid under the terms of this Plan in the form of any Annuity which was also permitted as a benefit form under all of the Prior Plans in which he or she was a participant on December 31, 1996 (other than and not including the form of a Single Life Annuity) and which commences as of any date permitted to be a retirement benefit's commencement date under all of such Prior Plans, then the monthly amount of such retirement benefit shall not in any event be less than the monthly amount which would have applied to such retirement benefit under the terms of such Prior Plans as in effect on December 31, 1996 (including such plans' terms as to actuarial assumptions) if the terms of such Prior Plans as in effect on such date had continued to be in effect through the date the Participant ceases to be an Employee (except that the Participant's compensation for any period occurring after December 31, 1996 which is taken into account under such Prior Plans' terms shall be determined under the provisions of Section 1.10 above instead of such Prior Plans' terms which define compensation).

6.6 EFFECT ON RETIREMENT BENEFIT OF REEMPLOYMENT PRIOR TO REQUIRED COMMENCEMENT DATE.

6.6.1 (a) Subject to the other provisions of this Section 6.6, if a Participant has his or her employment with the Employer terminate, thereby becomes entitled to the distribution of a retirement benefit under the other provisions of this Plan, and is later reemployed as an Employee prior to his Required Commencement Date, then the distribution

of the retirement benefit which is payable by reason of such prior termination of employment (1) shall not begin to be paid at all by reason of such prior termination of employment if payment of it has not begun by the time the Participant is reemployed as an Employee (and can be stopped from beginning by the Committee, under reasonable administrative procedures of the Committee, before any part of it begins to be paid) prior to the earlier of the Participant's subsequent termination of employment or his or her Required Commencement Date or (2) shall, if it otherwise has begun to be paid or been paid in its entirety under the other provisions of the Plan prior to his or her reemployment as an Employee or in any event is not stopped from beginning by the Committee before any part of it begins to be paid prior to the earlier of the Participant's subsequent termination of employment or his or her Required Commencement Date, not be suspended (or adjusted in amount or form) merely by reason of such reemployment. If such retirement benefit begins to be paid or is paid in its entirety prior to the earlier of the Participant's subsequent termination of employment or his or her Required Commencement Date and thus is not suspended under the immediately preceding sentence, then, as of the earlier of (1) the first day of the first calendar month which begins after the next date after his or her reemployment that the Participant again terminates his or her employment with the Employer or (2) his or her Required Commencement Date, the Participant may also be entitled to an additional retirement benefit, to be determined in accordance with paragraph (b) below, in addition to the prior retirement benefit which he or she is then receiving or has received.

(b) If the Participant may be entitled to an additional retirement benefit by reason of the provisions of paragraph (a) above, then the form and commencement date of his or her additional retirement benefit shall be determined under the provisions of Section 5 above and the foregoing provisions of this Section 6 as if no prior retirement benefit had begun being paid to him or her. Further, the monthly amount of the Participant's additional retirement benefit (if such benefit is paid in the form of any type of Annuity) or the lump sum amount of the Participant's additional retirement benefit (if such benefit is paid in the form of a lump sum cash payment) shall be equal to the monthly amount or lump sum amount (as applicable) of the retirement benefit that would be applicable to the Participant under the Plan (1) if it was payable in the same form as the Participant's additional retirement benefit is to be paid, (2) if it began to be paid or was paid in its entirety as of the commencement date which is determined pursuant to the immediately preceding sentence, and (3) if it was determined under the other provisions of the Plan as of such commencement date but as if the monthly amount or lump sum amount (as applicable) of such additional retirement benefit was equal to what such monthly amount or lump sum amount (as applicable) would be as of such commencement date under the Plan if any service for which a benefit had been calculated in determining the monthly amount or lump sum amount (as applicable) of the Participant's prior retirement benefit were disregarded.

6.6.2 (a) Notwithstanding the provisions of Section 6.6.1 above, if a Participant has his or her employment with the Employer terminate, starts to receive a retirement benefit under the Plan in the form of any type of Annuity by reason of such termination of employment, and is reemployed as an Employee prior to his or her Required Commencement Date, the Participant may elect in a writing to a Plan representative to suspend the distribution

of such retirement benefit until his or her subsequent termination of employment with the Employer (or, if earlier, his or her Required Commencement Date). In such case, the suspension will begin with the payment otherwise due under the form in which the prior distribution is then being made which next follows the receipt by the Plan representative of such election.

(b) If the payment of a Participant's retirement benefit is suspended pursuant to the provisions of paragraph (a) above, then, as of the earlier of (1) the first day of the first calendar month which begins after the next date after his or her reemployment that the Participant again terminates his or her employment with the Employer or (2) his or her Required Commencement Date, the Participant's suspended retirement benefit shall be redetermined in accordance with the following provisions of this paragraph (b). Such redetermined retirement benefit shall be paid in the same Annuity form as the Participant's retirement benefit was being paid immediately prior to the earlier suspension and shall commence as of the redetermination date. Further, the monthly amount of such redetermined retirement benefit shall be equal to the monthly amount of the retirement benefit that would be applicable to the Participant under the Plan (1) if it was payable in the same Annuity form as the Participant's retirement benefit was being paid immediately prior to the earlier suspension of such benefit, (2) if it began to be paid as of the redetermination date (and as if no payments of the retirement benefit had been made to the Participant prior to the redetermination date), and (3) if it was determined by multiplying subparagraph (i) by subparagraph (ii), where subparagraphs (i) and (ii) are as follows:

(i) equals the monthly amount of the retirement benefit that would be applicable to the Participant if clauses (1) and (2) immediately above applied but it was determined under the other provisions of the Plan as of the redetermination date and as if the Participant had permanently ceased to be an Employee on his or her prior termination of employment with the Employer; and

(ii) equals a fraction (1) having a numerator equal to the monthly amount of the Participant's retirement benefit as in effect immediately prior to the earlier suspension of such benefit and (2) having a denominator equal to the monthly amount of the retirement benefit that would be applicable to the Participant under the Plan (x) if it was payable in the same Annuity form as the Participant's retirement benefit was being paid immediately prior to the earlier suspension of such benefit, (2) if it began to be paid as of the date as of which such earlier suspension went into effect, and (3) if it was determined under the other provisions of the Plan as of the date as of which such earlier suspension went into effect and as if the Participant had permanently ceased to be an Employee on his or her prior termination of employment with the Employer.

(c) In addition, if the payment of a Participant's retirement benefit is suspended pursuant to the provisions of paragraph (a) above, then, as of the earlier of (1) the first day of the first calendar month which begins after the next date after his or her reemployment that the Participant again terminates his or her employment with the Employer

or (2) his or her Required Commencement Date, the Participant may also be entitled to an additional retirement benefit, to be determined in accordance with the following provisions of this paragraph (c), in addition to the redetermined retirement benefit which he or she is entitled to receive under paragraph (b) above. If the Participant may be entitled to an additional retirement benefit by reason of the provisions of this paragraph (c), then the form and commencement date of his or her additional retirement benefit shall be determined under the provisions of Section 5 above and the foregoing provisions of this Section 6 as if no prior retirement benefit had begun being paid to him or her. Further, the monthly amount of the Participant's additional retirement benefit (if such benefit is paid in the form of any type of Annuity) or the lump sum amount of the Participant's additional retirement benefit (if such benefit is paid in the form of a lump sum cash payment) shall be equal to the monthly amount or lump sum amount (as applicable) of the retirement benefit that would be applicable to the Participant under the Plan (1) if it was payable in the same form as the Participant's additional retirement benefit is to be paid, (2)

if it began to be paid or was paid in its entirety as of the commencement date which is determined pursuant to the immediately preceding sentence, and (3) if it was determined under the other provisions of the Plan as of such commencement date but as if the monthly amount or lump sum amount (as applicable) of such additional retirement benefit was equal to what such monthly amount or lump sum amount (as applicable) would be as of such commencement date under the Plan if any service for which a benefit had been calculated in determining the monthly amount of the Participant's prior retirement benefit were disregarded.

6.7 ADDITIONAL ACCRUALS AFTER REQUIRED COMMENCEMENT DATE.

6.7.1 Subject to the other provisions of this Section 6.7, if a Participant continues to be employed or is reemployed as an Employee after his or her Required Commencement Date, any prior distribution of the Participant's retirement benefit under the Plan shall not be suspended or adjusted in amount or form merely by reason of such continued employment or reemployment. As of the first day of any calendar month which occurs in the first Plan Year which begins after his or her Required Commencement Date and as of the first day of any calendar month which occurs in each subsequent Plan Year (the specific month in any such Plan Year to be chosen by the Committee on a nondiscriminatory basis), and as of any other date chosen by the Committee on a nondiscriminatory basis, the Participant may also be entitled to an additional retirement benefit, to be determined in accordance with Section 6.7.2 below, in addition to the prior retirement benefit which he or she is then receiving or has received.

6.7.2 If the Participant may be entitled to an additional retirement benefit by reason of the provisions of Section 6.7.1 above, then the form and commencement date of his or her additional retirement benefit shall be determined under the provisions of Section 5 above and the foregoing provisions of this Section 6 as if no prior retirement benefit had begun being paid to him or her. Further, the monthly amount of the Participant's additional retirement benefit (if such benefit is paid in the form of any type of Annuity) or the lump sum amount of the Participant's additional retirement benefit (if such benefit is paid in the form of a lump sum

cash payment) shall be equal to the monthly amount or lump sum amount (as applicable) of the retirement benefit that would be applicable to the Participant under the Plan (1) if it was payable in the same form as the Participant's additional retirement benefit is to be paid, (2) if it began to be paid or was paid in its entirety as of the commencement date which is determined pursuant to the immediately preceding sentence, and (3) if it was determined under the other provisions of the Plan as of such commencement date but as if the monthly amount or lump sum amount (as applicable) of such additional retirement benefit was equal to what such monthly amount or lump sum amount (as applicable) would be as of such commencement date under the Plan if any service for which a benefit had been calculated in determining the monthly amount or lump sum amount (as applicable) of the Participant's prior retirement benefit were disregarded.

SECTION 7

PRE-PENSION DEATH BENEFITS

7.1 ELIGIBILITY FOR PRE-PENSION DEATH BENEFIT.

7.1.1 A death benefit, called herein the "Pre-Pension Death Benefit," shall be paid to the Beneficiary of a Participant who (1) dies while still an Employee (and prior to any retirement benefit beginning to be paid to him or her under the Plan) and (2) would have been entitled to a retirement

benefit under Section 5.1, 5.2, or 5.4 above if he or she had not died but had ceased to be an Employee on the date of his or her death.

7.1.2 In addition, a Pre-Pension Death Benefit shall also be paid to the Beneficiary of a Participant who dies after terminating employment as an Employee when he or she is entitled to a retirement benefit under Section 5.1, 5.2, 5.3, or 5.4 above but prior to the date as of which the retirement benefit to which he or she is entitled begins to be paid to him or her.

7.1.3 Except as may be provided in Sections 7.1.1 and 7.1.2 above, no Pre-Pension Death Benefit (or any other death benefit) is payable under the Plan with respect to a Participant who dies prior to the date he or she would be entitled to any retirement benefit if he or she terminated employment as an Employee immediately prior to such death or who dies prior to the date as of which any retirement benefit to which he or she has become entitled to under the Plan begins to be paid to him or her.

7.2 BENEFICIARY. For purposes of this Section 7, the "Beneficiary" of any Participant shall mean the person who is the Participant's Spouse at the time of the Participant's death; except that, if it is established to the satisfaction of a Plan representative that the Participant is not survived by a Spouse or such Spouse cannot reasonably be located, the Participant's "Beneficiary" shall be deemed to be the person or trust named by the Participant as his or her beneficiary for purposes of the Plan's Pre-Pension Death Benefit in a writing or form which is filed with the Committee prior to the Participant's death; and except that, if the Committee determines that the Participant is not survived by a Spouse or other properly designated beneficiary who can reasonably be located, the Participant's "Beneficiary" shall be deemed to be the Participant's estate.

7.3 RULES AS TO PRE-PENSION DEATH BENEFIT IF BENEFICIARY IS PARTICIPANT'S SPOUSE. If a Participant's Beneficiary becomes entitled to a Pre-Pension Death Benefit under this Section 7 and such Beneficiary is the Participant's surviving Spouse, then the form, commencement date, and amount of such death benefit shall be determined in accordance with the following provisions:

7.3.1 (a) Except as provided in Sections 7.3.2 and 7.3.3 below, such death benefit shall be a monthly benefit which commences as of the day which would have been the Participant's Normal Retirement Date had he or she survived (or, if such Participant dies after his or her Normal Retirement Date, the first day of the first calendar month which begins on or after the date of such Participant's death). If such Participant dies before his or her Normal Retirement Date and if the Participant's surviving Spouse so requests by written notice to a Plan representative, however, such monthly death benefit may commence to be paid as of the first day of any calendar month which begins prior to the day which would have been such Participant's Normal Retirement Date had he or she survived, but not before the first day of the first calendar month which begins after such written notice is filed with a Plan representative.

(b) Further, such death benefit shall be payable for the life of the Participant's surviving Spouse, ending with the last monthly payment due for the month in which the Spouse dies.

(c) In addition, the monthly amount of such death benefit shall be an amount which makes such death benefit actuarially equivalent to the monthly retirement benefit that would have been payable to the Participant under the terms of this Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date as of which such death benefit commences and began receiving as of such date his or her retirement benefit in the form of a Single Life Annuity.

7.3.2 Notwithstanding the foregoing, in lieu of the form in which such death benefit is otherwise payable under Section 7.3.1 above, the Participant's surviving Spouse may elect to receive such death benefit in the

form of a lump sum cash payment. Such lump sum payment shall be made as of the latest of the first day of the first calendar month which begins on or after the date of the Participant's death, the first day of the first calendar month which begins on or after the date the Spouse files with an applicable Plan representative the election for the lump sum cash payment form, or the first day of the calendar month in which the lump sum payment is made. Further, the amount of such lump sum payment shall be equal to the lump sum amount that would have been payable to the Participant under the terms of this Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date as of which such death benefit is paid and began receiving as of such date his or her retirement benefit in the form of a lump sum cash payment.

7.3.3 Further, notwithstanding any other provision of this Section 7.3 to the contrary, any death benefit payable under this Section 7.3 to a Participant's surviving Spouse which has a present value of $3,500 or less as of the first day of the first calendar month both which begins on or after the date of the Participant's death and during which the Plan can administratively determine and process the payment of the death benefit to the Spouse shall be converted to and paid as a lump sum cash payment as of such date (with the amount of such payment equal to such present value amount). For purposes hereof, the present value of a death

benefit payable under this Section 7.3 to a Participant's surviving Spouse as of any date shall be equal to the lump sum amount that would have been payable to the Participant under the terms of this Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date as of which such death benefit is paid and began receiving as of such date his or her retirement benefit in the form of a lump sum cash payment.

7.4 RULES AS TO PRE-PENSION DEATH BENEFIT IF BENEFICIARY IS NOT PARTICIPANT'S SPOUSE. If a Participant's Beneficiary becomes entitled to a Pre-Pension Death Benefit under this Section 7 and such Beneficiary is not the Participant's surviving Spouse, then such death benefit shall be paid in the form of a lump sum cash payment. Such lump sum payment shall be made as of the first day of the first calendar month both which begins on or after the date of the Participant's death and during which the Plan can administratively determine and process the payment of the death benefit to the Beneficiary. Further, the amount of such lump sum payment shall be equal to the lump sum amount that would have been payable to the Participant under the terms of this Plan if (1) the Participant, if he or she had not yet terminated employment with the Employer prior to his or her death, had terminated such employment on the date of his or her death and (2) the Participant had survived to the date as of which such death benefit is paid and began receiving as of such date his or her retirement benefit in the form of a lump sum cash payment.

SECTION 8

MAXIMUM RETIREMENT BENEFIT LIMITATIONS

8.1 MAXIMUM PLAN BENEFIT -- SEPARATE LIMITATION AS TO THIS PLAN.

8.1.1 GENERAL RULES. Subject to the other provisions of this Section 8.1 but notwithstanding any other provision of this Plan to the contrary, in no event shall the annual amount of a Participant's retirement

benefit under this Plan exceed the lesser of:

(a) $90,000, multiplied by the adjustment factor;
or

(b) 100% of the Participant's average annual compensation received during the period of the three consecutive calendar years which produce the highest dollar result.

8.1.2 NECESSARY TERMS. For purposes of the rules set forth in this Section 8.1, the following terms shall apply:

(a) The "adjustment factor" shall mean the cost of living adjustment factor prescribed by the Secretary of the Treasury or his or her delegate under Code Section 415(d) for limitation years beginning after December 31, 1987, applied to such items and in such manner as the Secretary or his or her delegate shall prescribe;

(b) A Participant's "compensation" shall, for purposes of the restrictions of this Section 8.1, refer to his or her Compensation as defined in Section 1.10 above; except that, for purposes of this Section 8, paragraph (b) of Section 1.10 above shall not apply and, for any limitation year which begins prior to January 1, 1998, paragraph (c) of Section 1.10 above shall also not apply.

(c) The "limitation year" for purposes of the restrictions under this Section 8.1 shall be the Plan Year; and

(d) An "annual benefit" means a benefit payable in the form of a Single Life Annuity.

8.1.3 ADJUSTMENT IF FORM OF BENEFIT IS OTHER THAN SINGLE LIFE ANNUITY. If a Participant's retirement benefit is paid in any form other than a Single Life Annuity, the determination as to whether the limitations set forth in this Section 8.1 are satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate, by adjusting the retirement benefit (for this purpose only) so that it is equivalent to the retirement benefit if it were payable in the form of a Single Life Annuity. For purposes of this

Section 8.1.3, however, the portion of any retirement benefit which constitutes a Qualified Joint and Survivor Annuity shall not be taken into account.

8.1.4 ADJUSTMENT IF BENEFIT BEGINS BEFORE SOCIAL SECURITY RETIREMENT AGE. If a Participant's retirement benefit begins before his or her Social Security Retirement Age, the determination as to whether the dollar limitation set forth in Section 8.1.1(a) above has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate, by reducing such dollar limitation so that an annual benefit of such dollar limitation as so reduced and beginning when the Participant's retirement benefit begins is equivalent to an annual benefit of such dollar limitation if it were not so reduced and began at the Participant's Social Security Retirement Age. This reduction shall be made in such manner as the Secretary of the Treasury or his or her delegate may prescribe which is consistent with the reduction for old-age insurance benefits commencing before the Social Security Retirement Age under the Federal Social Security Act, as amended.

8.1.5 ADJUSTMENT IF BENEFIT BEGINS AFTER SOCIAL SECURITY RETIREMENT AGE. If a Participant's retirement benefit begins after his or her Social Security Retirement Age, the determination as to whether the dollar limitation set forth in Section 8.1.1(a) above has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate, by increasing such dollar limitation so that an annual benefit of such dollar limitation as so increased and beginning when the Participant's retirement benefit begins is equivalent to an annual benefit of such dollar limitation if it were not so increased and began at the

Participant's Social Security Retirement Age.

8.1.6 LIMITATION ON CERTAIN ASSUMPTIONS.

(a) Except as provided in paragraph (b) below, for purposes of adjusting any benefit or limitation under Section 8.1.3 or 8.1.4 above, any interest rate assumption which is used (except to the extent Internal Revenue Service Notice 87-21 provides for specific reduction factors to use in reducing the dollar limitation set forth in Section 8.1.1(a) above when the Participant's benefit is to begin at or after age 62 and prior to the Participant's Social Security Retirement Age) shall not be less than the greater of 5% per annum or the interest rate or factors specified in the Plan for making early retirement reductions.

(b) However, for purposes of adjusting the benefit or limitation of any lump sum form of benefit, the applicable interest rate (as such term is defined in paragraph (f) below) shall be substituted for "5% per annum" in paragraph (a) above.

(c) Further, for purposes of adjusting any benefit or limitation under Section 8.1.5 above, any interest rate assumption which is used shall not be greater than the lesser of 5% per annum or the interest rate or factors specified in the Plan for making late retirement increases.

(d) In addition, for purposes of adjusting any benefit or limitation under Section 8.1.3, 8.1.4, or 8.1.5 above, the mortality assumption used shall be the applicable mortality assumption (as such term is defined in paragraph (g) below).

(e) The provisions of paragraphs (b) and (d) above shall not reduce any Participant's benefit under the Plan determined as of December 31, 1996, after taking into account the commencement date and form of the Participant's benefit and also after taking into account the provisions of the Prior Plans in effect on December 31, 1996.

(f) For purposes hereof, the "applicable interest rate" means, with respect to adjusting any benefit or limitation applicable to any lump sum form of benefit, the annual interest rate on 30-year Treasury securities for the second calendar month which precedes the first calendar month included in the Plan Year in which the applicable lump sum form of benefit is paid (as specified by the Commissioner of Internal Revenue or his or her delegate for that month in revenue rulings, notices, or other guidance).

(g) Also for purposes hereof, the "applicable mortality assumption" means, with respect to adjusting any benefit or limitation of a retirement benefit, an appropriate mortality assumption based on the mortality table prescribed by the Secretary of the Treasury or his or her delegate under Section 417(e)(3) of the Code. Such table shall be based on the prevailing commissioners' standard table (described in Section 807(d)(5)(A) of the Code) used to determine reserves for group annuity contracts issued on the date as of which the applicable retirement benefit begins to be paid or is paid in its entirety (without regard to any other subparagraph of Section 807(d)(5) of the Code).

8.1.7 ADJUSTMENTS IF YEARS OF PARTICIPATION OR SERVICE ARE LESS THAN TEN.

(a) In the case of a Participant who has less than ten years of participation in this Plan when his or her retirement benefit commences, the dollar limitation referred to in Section 8.1.1(a) above shall be adjusted so as to be equal to such dollar limitation (determined without regard to this paragraph (a)) multiplied by a fraction. The numerator of such fraction is the Participant's years (and fraction thereof) of participation in the Plan at the time his or her benefit commences, and its denominator is ten.

(b) Further, in the case of a Participant who has less than ten years of Vesting Service (disregarding for this purpose paragraph

(b) of Section 2.1.7 above), the limitation referred to in Section 8.1.1(b) above shall be adjusted so as to be equal to such limitation (determined without regard to this paragraph (b)) multiplied by a fraction. The numerator of such fraction is the Participant's years of Vesting Service (and fraction thereof), and its denominator is ten.

(c) In no event shall the provisions of paragraphs (a) or (b) above reduce the limitations referred to in Section 8.1.1 above to an amount less than 1/10 of such limitations (determined without regard to this Section 8.1.7).

8.1.8 ADJUSTMENTS IF JANUARY 1, 1987 ACCRUED BENEFIT HIGHER THAN OTHER LIMITS. If a Participant's current accrued benefit under the Prior Plans as of the first day of the limitation year beginning on January 1, 1987 exceeded the benefit limits set forth in the foregoing provisions of this Section 8.1, then the dollar limitation referred to in Section 8.1.1(a) above shall be deemed to be not less than such current accrued benefit. For purposes hereof, the Participant's "current accrued benefit" means his or her Accrued Benefit under the Prior Plans, determined as of the close of the last limitation year beginning before January 1, 1987 but disregarding any change in the terms and conditions of the Prior Plans or this Plan after May 5, 1986 and any cost of living adjustment occurring after May 5, 1986.

8.1.9 COMBINING OF PLANS. If any other defined benefit plans (as defined in Section 414(j) of the Code) in addition to this Plan are maintained by the Employer or any Affiliated Employers, then the limitations set forth in this Section 8.1 shall be applied as if this Plan and such other defined benefit plans are a single plan. If any adjustment in a Participant's retirement benefit is required by this Section 8.1, such adjustment shall when necessary be made to the extent possible under the other defined benefit plan or plans in which the Participant actively participated (I.E., performed service which is taken into consideration in determining the amount of his or her benefit under the benefit formulas of the other plan or plans) at a later point in time in the applicable limitation year than he or she actively participated in this Plan (provided such other plan or plans provides for such adjustment in such situation). To the extent still necessary, such adjustment shall be made under this Plan.

8.1.10 REGULATIONS. Certain of the foregoing provisions of this Section 8.1 refer to regulations prescribed by the Secretary of the Treasury or his or her delegate. Prior to the issuance of any such regulation, the Plan may be construed in accordance with any other notice provided by the Internal Revenue Service which provides guidance as to the matter with which such regulation shall be concerned.

8.2 MAXIMUM PLAN BENEFIT -- COMBINED LIMITATION FOR THIS PLAN AND OTHER DEFINED CONTRIBUTION PLANS.

8.2.1 GENERAL RULE. Subject to the other provisions of this Section 8.2 but notwithstanding any other provision of this Plan to the contrary, if a Participant in this Plan also participates in one or more defined contribution plans (as defined in Section 414(i) of the Code) which are maintained by the Employer or the Affiliated Employers, then in no event shall the sum of such Participant's defined benefit plan fraction and defined contribution plan fraction for any limitation year exceed 1.0. If and to the extent necessary, the Participant's retirement benefit that is projected or payable under this Plan shall be reduced or frozen so that this limitation is not exceeded.

8.2.2 DEFINED BENEFIT PLAN FRACTION. For purposes of this Section 8.2, a Participant's "defined benefit plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the Participant's projected annual benefit under the Plan (determined as of the close of the subject limitation year); and

(b) The denominator of which is the lesser of (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(b)(1)(A) (and Section 8.1.1(a) above) for such limitation year or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(b)(1)(B) (and Section 8.1.1(b) above) by the close of such limitation year.

8.2.3 DEFINED CONTRIBUTION PLAN FRACTION. For purposes of this Section 8.2, a Participant's "defined contribution plan fraction" for any limitation year is a fraction:

(a) The numerator of which is the sum of all of the annual additions to the Participant's accounts under all of the defined contribution plans (and, to the extent annual additions are made thereto, defined benefit plans and welfare benefit funds) maintained by the Employer and the Affiliated Employers which have been made as of the close of the subject limitation year (including annual additions made in prior limitation years); and

(b) The denominator of which is the sum of the lesser of the following amounts determined for the subject limitation year and for each prior limitation year in which the Participant performed service for the Employer or an Affiliated Employer: (1) 1.25 multiplied by the dollar limitation in effect under Code Section 415(c)(1)(A) for the applicable limitation year (determined without regard to Code Section 415(c)(6)), or (2) 1.4 multiplied by the amount which may be taken into account for the Participant under Code Section 415(c)(1)(B) for the applicable limitation year. (In general, for limitation years beginning after December 31, 1986, the dollar limitation in effect under Code Section 415(c)(1)(A) for a limitation year is the greater of $30,000 or 1/4 of the dollar limitation in effect under Code Section 415(b)(1)(A) (and Section 8.1.1(a) above) for such limitation year, and the amount which may be taken into account under Code Section 415(c)(1)(B) for a limitation year is 25% of the Participant's compensation for such limitation year.)

8.2.4 OTHER NECESSARY TERMS. For purposes of the rules set forth in this Section 8.2, the following terms shall apply:

(a) A Participant's "projected annual benefit" as of the close of any limitation year means the annual benefit that the Participant would be entitled to under this Plan if (1) the Participant continued in employment with his or her current employer on the same basis as exists as of the close of the subject limitation year until attaining his or her Normal Retirement Date (or, if he or she has already reached such date by the close of the subject limitation year, he or she immediately terminated his or her employment), (2) the Participant's annual compensation for the subject limitation year remains the same each later limitation year until he or she terminates employment, and (3) all other relevant factors used to determine benefits under this Plan for the subject limitation year remain constant for all future limitation years.

(b) The "annual addition" to the Participant's accounts for a limitation year shall be determined under the provisions of the Code (and mainly Code Section 415(c)(2)) in effect for such limitation year. In general, for any limitation year beginning after December 31, 1986, the annual addition is generally the sum of employer contributions, employee contributions, and forfeitures allocated to the Participant's defined contribution plan accounts for such limitation year, plus any contributions made on behalf of the Participant for such limitation year under Code Section 415(l) or Code Section 419A(d) (E.G., contributions to a defined benefit plan for medical benefits or contributions on behalf of a key employee to a welfare benefit fund for funding post-retirement medical benefits). (It is noted that for any limitation year

beginning before January 1, 1987, not all employee contributions were included in the annual addition; instead, only the lesser of the amount of the employee contributions made for such limitation year in excess of 6% of the Participant's annual compensation for such limitation year or one-half of the employee contributions made for such limitation year were counted as part of the annual addition. This determination need not be recalculated for any such pre-1987 limitation year.)

(c) A Participant's "compensation," the "limitation year," and an "annual benefit" shall all have the same meanings as are given to those terms in Section 8.1.2 above.

8.2.5 ADJUSTMENT OF DEFINED CONTRIBUTION PLAN FRACTION. If necessary, an amount shall be subtracted from the numerator of the defined contribution plan fraction applicable to a Participant in accordance with regulations prescribed by the Secretary of the Treasury or his or her delegate so that the sum of the Participant's defined benefit plan fraction and defined contribution plan fraction computed as of the end of the last limitation year beginning before January 1, 1987 does not exceed 1.0 for such limitation year.

8.2.6 COMBINING OF PLANS. If any other defined benefit plans (as defined in Section 414(j) of the Code) in addition to this Plan are maintained by the Employer or any Affiliated Employers, then the limitation set forth in this Section 8.2 shall be applied as if this Plan and such other defined benefit plans are a single plan. If any adjustment in a Participant's projected annual benefit is required by this Section 8.2, such adjustment shall be made to the extent possible under the other defined benefit plan or plans in which the Participant actively participated (I.E., performed service which is taken into consideration in determining the amount of his or her benefit under the benefit formulas used in the other plan or plans) at a later point in time in the applicable limitation year than he or she actively participated in this Plan (provided such other plan or plans provides for such adjustment in such situation). To the extent still necessary, such adjustment shall be made under this Plan.

8.2.7 TERMINATION OF LIMITATION. Notwithstanding any other provision of the Plan to the contrary, the provisions of this Section 8.2 shall not apply, and shall no longer be effective, for any limitation year which begins after December 31, 1999.

8.3 RESTRICTIONS ON BENEFITS PAYABLE TO CERTAIN HIGHLY COMPENSATED PARTICIPANTS. The provisions set forth in this Section 8.3 shall apply notwithstanding any other provision of this Plan.

8.3.1 In the event of the termination of the Plan, the benefit otherwise payable under the Plan to any Participant who is a Highly Compensated Employee (or a Former Highly Compensated Employee) with respect to the Plan Year in which such Plan termination occurs shall be limited to a benefit which is nondiscriminatory under Section 401(a)(4) of the Code. To the extent necessary, any assets otherwise allocable upon the Plan's termination under Section 13.3 below to a Participant who is a Highly Compensated Employee (or Former Highly Compensated Employee) for the Plan Year in which the Plan's termination occurs shall be reallocated to other Participants so that this provision is not violated. For purposes hereof, however, a benefit applicable to such a Highly Compensated Employee (or Former Highly Compensated Employee) upon the Plan's termination shall be considered to be nondiscriminatory under Section 401(a)(4) of the Code if each Participant who is not a Highly Compensated Employee (or Former Highly Compensated Employee) with respect to the Plan Year in which the Plan's termination occurs and who is entitled to a benefit under the Plan upon the Plan's termination receives upon such termination a proportion of the then present value of his or her Accrued Benefit under the Plan which is at least equal to the proportion of the then present value of the Accrued Benefit receivable upon the Plan's termination by such Highly Compensated Employee (or Former Highly Compensated Employee).

8.3.2 Subject to the provisions of Sections 8.3.3 and 8.3.4 below, prior to the complete termination of the Plan and distribution of all

Plan assets, the payments made during any Plan Year to a Participant who is a Restricted Participant for such Plan Year shall be restricted to the extent necessary so that such payments do not exceed the payments that would be made for such Plan Year if the Participant's remaining Accrued Benefit under the Plan was being paid in the form of a Single Life Annuity.

8.3.3 (a) Subject to the provisions of Section 8.3.4 below but notwithstanding the provisions of Section 8.3.2 above, prior to the complete termination of the Plan and distribution of all Plan assets, the retirement benefit payments made during any Plan Year to a Participant who is a Restricted Participant for such Plan Year may exceed the limit set forth in Section 8.3.2 above to the extent the method under which the Participant's retirement benefit is being paid calls for such payments, provided that the Plan and the Participant establish an agreement which meets the following provisions of this Section 8.3.3 in order to secure repayment to the Plan of any amount necessary for the distribution of assets upon the Plan's termination to satisfy Section 401(a)(4) of the Code.

(b) During any such Plan Year, the amount that may be required to be repaid to the Plan by the Participant is the restricted amount. For this purpose, the "restricted amount" means the excess of the accumulated amount of the retirement benefit payments made to the Participant over the accumulated amount of the Participant's nonrestricted limit. The Participant's "nonrestricted limit" for this purpose means the retirement benefit

payments that could have been made to the Participant, commencing when retirement benefit payments initially commenced to the Participant, had the Participant received his or her retirement benefit in the form of a Single Life Annuity. Further, an "accumulated amount" means, with respect to any payment, the amount of such payment plus interest thereon from the date of such payment (or the date such payment would have been made) to the date of the determination of the restricted amount, compounded annually from the date of such payment (or the date such payment would have been made), at the rate determined under Section 411(c)(2)(C) of the Code in effect on the date of the determination of the restricted amount.

(c) In order to secure the Participant's repayment obligation of the restricted amount, prior to receipt of a distribution the Participant must agree that upon distribution the Participant will promptly deposit in escrow with an acceptable depositary property having a fair market value equal to at least 125% of the restricted amount. The obligation of the Participant under the repayment agreement alternatively can be secured or collateralized by posting a bond equal to at least 100% of the restricted amount. For this purpose, the bond must be furnished by an insurance company, bonding company, or other surety approved by the U.S. Treasury Department as an acceptable surety for Federal bonds. As another alternative, the Participant's obligation under the repayment agreement can be secured by a bank letter of credit in an amount equal to at least 100% of the restricted amount.

(d) Amounts in the escrow account in excess of 125% of the restricted amount may be withdrawn for the Participant. Similar rules apply to the release of any liability in excess of 100% of the restricted amount where the repayment obligation has been secured by a bond or a letter of credit. If, however, the market value of the property in the escrow account falls below 110% of the restricted amount, the Participant is obligated to deposit additional property to bring the value of the property held by the depositary up to 125% of the restricted amount. In addition, the Participant may be given the right to receive any income from the property placed in escrow, subject to the obligation to maintain the value of the property as described.

(e) A depositary may not redeliver to the Participant any property held under such an agreement, other than amounts in excess of 125% of the restricted amount, and a surety or bank may not release any liability on such a bond or letter of credit, unless the Committee certifies to the depositary, surety, or bank that the Participant (or the Participant's estate) is no longer obligated to repay any amount under the agreement. The Committee will make such a certification if at any time after the distribution

commences either that any of the conditions of Section 8.3.4 below are met or that the Plan has terminated and the benefit received by the Participant is nondiscriminatory under Section 401(a)(4) of the Code. Such a certification by the Committee terminates the agreement between the Participant and the Plan.

8.3.4 The restrictions set forth in Sections 8.3.2 and 8.3.3 above shall not apply to any Participant if either: (1) after payment to such Participant of all benefits payable to him or her under the Plan, the value of all assets of the Plan equals or exceeds 110% of the then value of the Plan's current liabilities (as defined in Section 412(l)(7) of the Code); (2) the

entire value of such Participant's retirement benefit under the Plan is less than 1% of the then value of the Plan's current liabilities (as defined in Section 412(l)(7) of the Code); or (3) the entire value of such Participant's retirement benefit under the Plan is $3,500 or less.

8.3.5 For purposes of Sections 8.3.2 through 8.3.4 above, a Participant shall be considered a "Restricted Participant" for any Plan Year if he or she is one of the 25 Highly Compensated and Former Highly Compensated Employees for such Plan Year with the greatest Compensation. In determining which of the Highly Compensated and Former Highly Compensated Employees for any Plan Year have the 25 greatest Compensations, the Compensation to be considered for any such Highly Compensated or Former Highly Compensated Employee shall be the highest Compensation he or she received in such Plan Year or any other Plan Year under which his or her Compensation or ownership in the Employer made him or her a Highly Compensated or Former Highly Compensated Employee for the subject Plan Year.

SECTION 9

ADDITIONAL RETIREMENT AND DEATH BENEFIT PROVISIONS

9.1 INCOMPETENCY. Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally or legally competent and of age until the date on which the Committee receives written notice that such person is incompetent or a minor for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because he or she is incompetent or is a minor, any payment due (unless a prior claim therefor has been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother, or a sister of such person, or to any person or institution deemed by the Committee to have incurred expense for such person. If a guardian of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Committee. Any payment made pursuant to this Section 9.1 shall be a complete discharge of liability therefor under the Plan.

9.2 COMMERCIAL ANNUITY CONTRACTS AND OTHER ADMINISTRATIVE ADJUSTMENTS OF BENEFITS.

9.2.1 Notwithstanding any other provision of the Plan to the contrary, in its sole discretion, the Committee may elect to distribute a retirement or death benefit by the purchase and delivery to the applicable Participant (or beneficiary) of a commercial annuity contract from an insurance company. In such an event delivery to and acceptance by such Participant (or beneficiary) of such contract shall be in complete satisfaction of any claim the

Participant (or beneficiary) or any person claiming by or through such Participant (or beneficiary) may have for benefits under this Plan. The use of an annuity contract shall not itself cause any optional benefit form otherwise available to the Participant (or, if a death benefit is involved, his or her beneficiary) under the Plan to be eliminated.

9.2.2 Notwithstanding any other provision of the Plan to the contrary, as an administrative convenience, if the monthly amount of any retirement or death benefit which is payable under the Plan in the form of an Annuity would otherwise be less than $50, the Committee may direct that such benefit begin to be paid in quarterly installments instead of monthly installments at any time.

9.3 TIMING OF BENEFIT DISTRIBUTIONS. For purposes of the Plan, each benefit payment under the Plan shall always be made "as of" a certain date specified in an appropriate section of the Plan, which means that the amount of the payment shall be determined as of such date and the actual payment shall be made on or as soon as practical after such date (to allow the Plan time to ascertain the applicable person's entitlement to a benefit and the amount of such benefit and to process and payout such benefit). Further, the date "as of" which a benefit

commences to be paid to a person under the Plan is sometimes called such benefit's "commencement date" in the other provisions of this Plan. If a person entitled to a benefit hereunder dies subsequent to the date as of which such payment was to have been made but, because of administrative reasons, prior to the actual payment thereof, such benefit shall be paid to his or her estate. If, notwithstanding the foregoing, a Participant (or a beneficiary claiming through him or her) who is entitled to a benefit hereunder cannot reasonably be located, then such benefit shall thereupon be deemed forfeited. If, however, the lost Participant (or the beneficiary claiming through him or her) thereafter makes a claim for the amount previously forfeited hereunder, such benefit shall be paid or commence, with any unpaid installments thereof which otherwise would have previously been paid also being paid (but without any interest credited on such unpaid installments), as soon as administratively possible.

9.4 NONALIENATION OF BENEFITS. To the extent permitted by law, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, whether voluntary or involuntary, nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled to such benefit. The Committee shall, however, adopt procedures as necessary so as to allow benefits to be assigned in connection with qualified domestic relations orders (as defined in and in accordance with the provisions of Section 206(d) of ERISA and Section 414(p) of the Code). In this regard, the Plan will permit a benefit to be paid at any time to a Participant's alternate payee (as also is defined in ERISA Section 206(d) and Code Section 414(p)) if directed by a qualified domestic relations order and in compliance with all requirements applicable to a qualified domestic relations order, even if the Participant has not yet ceased to be an Employee and has not attained his or her earliest retirement date (again as defined in ERISA Section 206(d) and Section 414(p) of the Code).

9.5 ACTUARIAL ASSUMPTIONS.

9.5.1 Under this Plan, any reference to actuarial equivalent, actuarially equivalent, or actuarial equivalence means or refers to equality in value of the aggregate amounts of a benefit when compared to the aggregate amounts of such benefit if paid or determined in a different form, at a different time, or both in a different form and at a different time, as the case may be.

9.5.2 When the Plan requires the determination of an initial credit amount to be credited to any Participant's Cash Balance Account under Section 4.2 above, the actuarial assumptions to be used in calculating the present value of the Participant's accrued benefit under the Prior Plans shall be the assumptions set forth in part 1 of Schedule A to this Plan.

9.5.3 Unless otherwise set forth in an applicable section of the Plan, when the Plan requires a determination that a benefit, if it were paid in the form of an Annuity and to commence as of any particular date, would be actuarially equivalent to such benefit if it were to be paid in a different form of Annuity but to commence as of the same date, the actuarial

assumptions to be used in making such determination shall be the assumptions set forth in part 2 of Schedule A to this Plan.

9.5.4 In addition, unless otherwise set forth in an applicable section of the Plan, when the Plan requires (1) a determination that a benefit, if it were paid in the form of a Single Life Annuity which commences as of any date, is actuarially equivalent to the amount credited to a Participant's Cash Balance Account as of such date or any earlier date, (2) a determination that a benefit, if it were paid in the form of a lump sum cash payment which is made as of any date, is actuarially equivalent to such benefit if it were to be paid in the form of a Single Life Annuity which commences as of such date or any later date, or (3) a determination of the present value of a benefit, the actuarial assumptions to be used in making such determination shall be the applicable mortality assumption and the applicable interest rate. For this purpose, the "applicable mortality assumption" means an appropriate mortality assumption based on the mortality table prescribed by the Secretary of the Treasury or his or her delegate under Section 417(e)(3) of the Code. Such table shall be based on the prevailing commissioners' standard table (described in Section 807(d)(5)(A) of the Code) used to determine reserves for group annuity contracts issued on the date as of which the lump sum payment is determined (without regard to any other subparagraph of Section 807(d)(5) of the Code). Also for this purpose, the "applicable interest rate" means the annual interest rate on 30-year Treasury securities for the second calendar month which precedes the first calendar month included in the Plan Year in which the lump sum payment is made (as specified by the Commissioner of Internal Revenue or his or her delegate for that month in revenue rulings, notices, or other guidance).

9.5.5 Except as otherwise provided in applicable Treasury regulations, if this Plan is amended to change any of the actuarial assumptions used in the Plan to determine actuarial equivalence or the present value of a benefit, then any Plan benefit applicable to a Participant who is a Participant on the effective date of the amendment which is determined in part by using the Plan's factors for determining actuarial equivalence or present or lump sum value shall have its amount determined in accordance with the provisions of the Plan in effect as of the date the benefit is to commence or be paid; except that if the value of such benefit would be increased by both (1) substituting the Participant's Accrued Benefit determined as of the day next preceding the effective date of the amendment for the Participant's then current Accrued Benefit and (2) substituting the actuarial assumptions used in the Plan which were in effect as of the day next preceding the effective date of the amendment for the then current actuarial assumptions, such substitutions shall be made for purposes of such determination.

9.6 APPLICABLE BENEFIT PROVISIONS. Subject to Sections 6.6 and 6.7 above, any benefit to which a Participant becomes entitled (or any death benefit to which such Participant's Spouse or other beneficiary becomes entitled) shall be determined on the basis of the provisions of the Plan in effect as of the earlier of the date the Participant last terminates employment with the Employer or his or her Required Commencement Date notwithstanding any amendment to the Plan adopted subsequent to such date, except for subsequent amendments which are by their specific terms or by applicable law made applicable to such Participant (or his or her Spouse or other beneficiary).

9.7 COVERAGE OF PRE-EFFECTIVE AMENDMENT DATE PARTICIPANTS.

9.7.1 Except as is otherwise specifically provided in this

Plan, the provisions of this Plan only apply to persons who become Participants in this Plan under Section 3 above and to benefits which have not begun to be paid prior to the Effective Amendment Date. However, any person who was a participant in one or more Prior Plans and, while never becoming a Participant in this Plan under Section 3 above, still had a nonforfeitable right to an unpaid benefit under the Prior Plans as of the date immediately preceding the Effective Amendment Date shall be considered a participant in this Plan to the extent of his or her interest in such benefit. The amount of such benefit, the form in which such benefit is to be paid, and the conditions (if any) which may cause such benefit not to be paid shall, except as otherwise specifically provided in this Plan or in the Prior Plans, be determined solely by the versions of the Prior Plans in effect at the time he or she retired or terminated employment with the Employer.

9.7.2 Notwithstanding the foregoing or any other provision of the Prior Plans, because the Prior Plan which was named the Pension Plan for Employees of Broadway Stores Inc. (for purposes of this Section 9.7.2, the "Broadway Main Plan") and the Prior Plan which was named the Supplemental Pension Plan for Hourly Employees of The Emporium (for purposes of this Section 9.7.2, the "Emporium Plan") determined benefits prior to the Effective Amendment Date on the basis of an accrual computation period which began on a July 1 and ended the next following June 30, the following provisions apply to such Prior Plans in determining any benefits accrued under such plans from July 1, 1996 through December 31, 1996:

(a) For purposes of determining any benefits accrued under the Broadway Main Plan for the period from July 1, 1996 through December 31, 1996 (and only for such purposes), any reference to a "Plan Year" contained in Section 4.1(iv)(a) and (b) of such plan shall be deemed to refer to the period which began July 1, 1996 and ended December 31, 1996 and any factor contained in Section 4.1(iv)(a) and (b) of such plan (.01 or 0.15) shall be multiplied by 50% before being used.

(b) For purposes of determining any benefits accrued under the Emporium Plan for the period from July 1, 1996 through December 31, 1996 (and only for such purposes), any reference to the "Plan Year" contained in clause (ii) of the definition of Credited Service set forth under Section 1.2 of such plan shall be deemed to refer to the period which began July 1, 1996 and ended December 31, 1996 and the provision in such clause (ii) that indicates that Credited Service granted for any Plan Year may not exceed one year shall be deemed to indicate that Credited Service granted for any Plan Year may not exceed one-half of a year.

9.8 FORFEITURES.

9.8.1 A Participant who terminates employment with the Employer shall forfeit any portion of his or her Accrued Benefit which he or she is not entitled to receive as a retirement benefit under the provisions of the Plan (the "nonvested Accrued Benefit") as of the earlier of (1) the date he or she receives a complete distribution of the portion of his or her Accrued Benefit which he or she is entitled to receive as a retirement benefit under the provisions of the Plan (the "vested Accrued Benefit") or (2) the date he or she incurs a Six-Year Break-in-Service commencing after such termination of employment. For purposes hereof, a Participant who terminates employment with the Employer at a time when he or she has no vested Accrued Benefit at all shall be deemed to have received a complete distribution of his or her vested Accrued Benefit on the date of such termination of employment.

9.8.2 If a Participant who forfeits any portion of his or her Accrued Benefit under Section 9.8.1 above is rehired by the Employer as an Employee by the earlier of the sixth annual anniversary of the date on which he or she completes his or her first Hour of Service after his or her reemployment or the end of the first Six-Year Break-in-Service commencing after his or her prior termination of employment with the Employer, he or she may repay to the Plan the amount of the vested portion of his or her Accrued Benefit which he or she previously received, plus interest thereon from the date of such distribution to the date of repayment, compounded annually from the date of

distribution, at the rate determined under Section 411(c)(2)(C) of the Code in effect on the date of repayment. If such repayment is made, or if such Participant had not had any vested interest in his or her Accrued Benefit at the time of his or her prior termination of employment with the Employer, the portion of his or her Accrued Benefit which had previously been forfeited shall be restored to his or her credit under the Plan.

9.9 DIRECT ROLLOVER DISTRIBUTIONS.

9.9.1 Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 9.9, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution otherwise payable to him or her paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

9.9.2 For purposes of this Section 9.9, the following terms shall have the meanings indicated below:

(a) An "eligible rollover distribution" means, with respect to any distributee, any distribution of all or any portion of the entire benefit otherwise payable under the Plan to the distributee, except that an eligible rollover distribution does not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; (2) any distribution to the extent such distribution is required to be

made under Section 401(a)(9) of the Code; and (3) the portion of any distribution that is not includable in gross income of the distributee for purposes of Federal income tax.

(b) An "eligible retirement plan" means, with respect to any distributee's eligible rollover distribution, an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to a distributee who is a distributee by reason of being the surviving Spouse of a Participant, an "eligible retirement plan" means only an individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code.

(c) A "distributee" means a Participant. In addition, a Participant's surviving Spouse, or a Participant's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code), is a distributee with regard to any interest of the Participant which becomes payable under the Plan to such Spouse or former Spouse.

(d) A "direct rollover" means, with respect to any distributee, a payment by the Plan to an eligible retirement plan specified by the distributee.

9.9.3 The Committee may prescribe reasonable rules in order to provide for the Plan to meet the provisions of this Section 9.9. Any such rules shall comply with the provisions of Code Section 401(a)(31) and any applicable Treasury regulations which are issued with respect to the direct rollover requirements. For example, subject to meeting the provisions of Code Section 401(a)(31) and applicable Treasury regulations, the Committee may: (1) prescribe the specific manner in which a direct rollover will be made by the Plan, whether by wire transfer to the eligible retirement plan, by mailing a check to the eligible retirement plan, by providing the distributee a check made payable to the eligible retirement plan and directing the distributee to deliver the check to the eligible retirement plan, and/or by some other method; (2) prohibit any direct rollover of any eligible rollover distributions payable during a calendar

year to a distributee when the total of such distributions is less than $200; or (3) refuse to make a direct rollover of an eligible rollover distribution to more than one eligible retirement plan.

SECTION 10

TRUST FUND

10.1 CONTRIBUTIONS. The Employer shall fund the Plan in such amounts and at such times as are decided by the Employer. The Employer shall, in determining its contributions to the Plan, take into account the advice of the Actuary as to the level of contributions needed for the Plan to meet the minimum funding requirements of Section 412 of the Code and the regulations thereunder. Such level of contributions shall be determined on the basis of actuarial computations made from time to time by the Actuary. Forfeitures which occur as a result of death, termination of employment, or for any other reason shall be applied to reduce the cost of the Plan and shall not operate to increase the benefits otherwise payable under the Plan.

10.2 PROHIBITION AGAINST REVERSION. Notwithstanding any provision of the Plan to the contrary, the Employer shall not have any present or prospective right, claim, or interest in the Trust Fund or in any contribution made to the Trustee prior to the satisfaction of all liabilities with respect to Participants and beneficiaries under the Plan. This Section 10.2 shall not be amended or revoked in any manner whatsoever to the end that any part of the corpus or income of the Trust Fund may be used for or converted to purposes other than for the exclusive benefit of such persons prior to the satisfaction of all liabilities with respect to them; provided, however, that the Employer shall still have the right to direct, and shall so direct, the Trustee (1) to return any portion of a contribution which was made under mistake of fact as described in ERISA Section 403(c)(2)(A), provided the return is made within one year after the contribution is made, and (2) to return any portion of a contribution for which a deduction is denied under Section 404 of the Code, provided the contribution was made on the condition that it was deductible in full and the return is made within one year after the disallowance of the deduction as described in ERISA Section 403(c)(2)(C). In this regard, any contribution made to the Plan is made on the condition that it is deductible in full, except to the extent it is required to meet the minimum funding requirements of Code Section 412 regardless of its deductibility.

10.3 INVESTMENT OF TRUST FUND. The Trustee shall hold and, except to the extent that the Committee appoints one or more investment managers, shall invest, reinvest, manage, and administer the Employer's contributions and the assets of the Plan and the increment, increase, earnings, and income thereof as a Trust Fund for the exclusive benefit of Participants and their beneficiaries. The Committee shall establish a funding policy to insure adequate liquidity for the payment of benefits under the Plan.

SECTION 11

NAMED FIDUCIARIES

Any person, committee, or entity which is designated or appointed under

the Plan or the Trust (or under a procedure set forth in the Plan or the Trust) to have any responsibility for the control, management, or administration of this Plan or the assets thereof (each such fiduciary being hereinafter referred to individually as a "Named Fiduciary" and collectively as the "Named Fiduciaries") shall have only such powers and responsibilities as are expressed in the Plan or the Trust or are provided for in the procedure by which he or she is designated or appointed, and any power or responsibility for the control, management, or administration of the Plan or Trust Fund which is not expressly allocated to any Named Fiduciary, or with respect to which an allocation is in doubt, shall be deemed allocated to Federated. Each Named Fiduciary shall have no responsibility to inquire into the acts or omissions of any other Named Fiduciary in the exercise of powers or the discharge of responsibilities assigned to such other Named Fiduciary under the Plan.

Any Named Fiduciaries may, by agreement among themselves, allocate any responsibility or duty, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, assigned to a Named Fiduciary hereunder to one or more other Named Fiduciaries, provided, however, that any agreement respecting such allocation must be in writing and filed with the Committee for placement with the records of the Plan. No such agreement shall be effective as to any Named Fiduciary which is not a party thereto until such Named Fiduciary has received written notice of such agreement from the Named Fiduciaries involved. Any Named Fiduciary may, by written instrument filed with the Committee for placement with the records of the Plan, designate a person who is not a Named Fiduciary to carry out any of its responsibilities under the Plan, other than the responsibility of the Trustee for the management and control of the Trust Fund within the meaning of Section 405(c) of ERISA, provided, however, that no such designation shall be effective as to any other Named Fiduciary until such other Named Fiduciary has received written notice thereof.

Any Named Fiduciary, or a person designated by a Named Fiduciary to perform any responsibility of a Named Fiduciary pursuant to the procedure described in the preceding paragraph, may employ one or more persons to render advice with respect to any responsibility such Named Fiduciary has under the Plan or such person has by reason of such designation. A person may serve the Plan in more than one fiduciary capacity and may be a Participant.

SECTION 12

ADMINISTRATIVE AND INVESTMENT COMMITTEE

12.1 APPOINTMENT OF COMMITTEE. The Board shall appoint the Committee, the members of which may be officers or other employees of the Employer or any other persons. The Committee shall be composed of not less than three members, each of whom shall serve at the pleasure of the Board, and vacancies in the Committee arising by reason of resignation, death, removal, or otherwise shall be filled by the Board. Any member may resign of his or her own accord by delivering his or her written resignation to the Board.

12.2 GENERAL POWERS OF COMMITTEE.

12.2.1 The Committee shall administer the Plan, is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan, and is given complete discretionary authority to determine any person's eligibility for benefits under the Plan, to construe the terms of the Plan, and to decide any other matters pertaining to the Plan's administration. The Committee shall determine any question arising in the administration, interpretation, and application of the Plan, which determination shall be binding and conclusive on all persons. In the administration of the Plan, the Committee may: (1) employ or permit agents to carry out nonfiduciary and/or fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA), and (2) provide for the allocation of

fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) among its members. Actions dealing with fiduciary responsibilities shall be taken in writing, and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

12.2.2 Further, the Committee shall administer the Plan and adopt such rules and regulations as in the opinion of the Committee are necessary or advisable to implement and administer the Plan and to transact its business. In performing their duties, the members of the Committee shall act solely in the interest of the Participants of the Plan and their beneficiaries and:

(a) for the exclusive purpose of providing benefits to Participants and their beneficiaries;

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of title I of ERISA.

12.2.3 Notwithstanding the foregoing provisions of this Section 12.2, if the Committee cannot reasonably and economically determine or verify, with respect to any Employee or a class of Employees, service, compensation, date of hire, date of termination, or any other pertinent factor in the administration of the Plan, the Committee shall adopt, with respect to such Employee or class of Employees, reasonable and uniform assumptions regarding the determination of such factor or factors, provided that no such assumption shall (1) discriminate in favor of Highly Compensated Employees, (2) reduce or eliminate a protected benefit (within the meaning of Treas. Reg. Section 1.411(d)-4), or (3) operate to the disadvantage of such Employee or class of Employees.

12.2.4 Unless otherwise provided in the Trust, the Committee shall also establish guidelines with respect to the investment of all funds held by the Trustee under the Plan and to make or direct all investments pursuant thereto.

12.2.5 For purposes hereof, any party which has been authorized by the Plan or under a procedure authorized under the Plan to perform fiduciary and/or nonfiduciary administrative duties hereunder, whether such party is the Committee, Federated, an agent appointed or permitted by the Committee to carry out its duties, or otherwise, shall, when properly acting within the scope of his or her or its authority, sometimes be referred to in the Plan as a "Plan representative" or, if appointed by the Committee directly to be an agent thereof, a "Committee representative."

12.3 RECORDS OF PLAN. The Committee shall maintain or cause to be maintained records showing the fiscal transactions of the Plan, and shall keep or cause to be kept in convenient form such data as may be necessary for valuations of assets and liabilities of the Plan. The Committee shall prepare or have prepared annually a report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for the past Plan Year. In preparing this report, the Committee may rely on advice received from the Trustee or other persons or firms selected by it or may adopt a report on such matters prepared by the Trustee.

12.4 ACTIONS OF COMMITTEE. The Committee shall appoint a Chairman and a Secretary and such other officers, who may be, but need not be, members of the Committee, as it shall deem advisable. The Committee shall act by a majority of its members at the time in office, and any such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may by such majority action appoint subcommittees and may authorize any one or more of the

members or any agent to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of the Committee. The Committee may provide for the allocation of responsibilities for the operation and maintenance of the Plan.

12.5 COMPENSATION OF COMMITTEE AND PAYMENT OF PLAN ADMINISTRATIVE AND INVESTMENT CHARGES. Unless otherwise determined by the Board, the members of the Committee shall serve without compensation for services as such. All expenses of the administration and investment of the Plan (excluding brokerage fees, expenses related to securities transactions, and any taxes

on the assets held in the Trust Fund, which expenses shall only be payable out of the Trust Fund), including, without limitation, premiums due the Pension Benefit Guaranty Corporation and the fees and charges of the Trustee, any investment manager, any actuary, any attorney, any accountant, any specialist, or any other person employed by the Committee or Federated in the administration of the Plan, shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly). In this regard, the Plan administrative and investment expenses which shall be paid out of the Trust Fund (unless the Employer elects to pay them itself) shall also include compensation payable to any employees of the Employer or any Affiliated Employer who perform administrative or investment services for the Plan to the extent such compensation would not have been sustained had such services not been provided, to the extent such compensation can be fairly allocated to such services, to the extent such compensation does not represent an allocable portion of overhead costs or compensation for performing "settlor" functions (such as services incurred in establishing or designing the Plan), and to the extent such compensation does not fail for some other reason to constitute a "direct expense" within the meaning of 29 C.F.R. 2550.408c-2(b)(3).

12.6 LIMITS ON LIABILITY. Federated and each other Employer shall hold each member of the Committee harmless from any loss, damage, or depreciation which may result in connection with the execution of his or her duties or the exercise of his or her discretion or from any other act or omission hereunder, except when due to his or her own gross negligence or willful misconduct. Federated and each other Employer shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees approved by the Committee), and liabilities (including any amounts paid in settlement with such Committee's approval) arising from any act or omission of the member, except when the same is judicially determined to be due to the gross negligence or willful misconduct of such member.

12.7 CLAIMS PROCEDURE.

12.7.1 In general, benefits due under this Plan will be paid only if the applicable Participant (or beneficiary of a deceased Participant) files a written notice with a Plan representative electing to receive such benefits, except to the extent otherwise required under the Plan. Further, if a Participant (or a person claiming through a Participant) has a dispute as to the failure of the Plan to pay or provide a benefit, as to the amount of benefit paid, or as to any other matter involving the Plan, the Participant (or such person) may file a claim for the benefit or relief believed by the Participant (or such person) to be due. Such claim must be provided by written notice to the Committee or any Committee representative designated by the Committee for this purpose. The Committee will decide any claims made pursuant to this Section 12.7.

12.7.2 If a claim made pursuant to Section 12.7.1 above is denied, in whole or in part, notice of the denial in writing will be furnished by the Committee or a Committee representative to the claimant within 90 days after receipt of the claim by the Committee or the Committee representative; except that if special circumstances require an extension of time for

processing the claim, the period in which the Committee or the Committee representative is to furnish the claimant written notice of the denial will be extended for up to an additional 90 days (and the Committee or the Committee representative will provide the claimant within the initial 90-day period a written notice indicating the reasons for the extension and the date by which the Committee or the Committee representative expects to render the final decision). The final notice of denial will be written in a manner designed to be understood by the claimant and set forth: (1) the specific reasons for the denial, (2) specific reference to pertinent Plan provisions on which the denial is based, (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (4) information as to the steps to be taken if the claimant wishes to appeal such denial of his claim. If no written notice is provided the claimant within the applicable 90-day period or 180-day period, as the case may be, the claimant may assume his or her claim has been denied and go immediately to the appeal process set forth in Section 12.7.3 below.

12.7.3 Any claimant who has a claim denied under Sections 12.7.1 and 12.7.2 above may appeal the denied claim to the Committee (or any Committee representative designated by the Committee to perform this review). Such an appeal must, in order to be considered, be filed by written notice to the Committee (or such Committee representative) within 60 days of the receipt by the claimant of a written notice of the denial of his or her initial claim (unless it was not reasonably possible for the claimant to make such appeal within such 60-day period, in which case the claimant must file his or her appeal within 60 days after the time it becomes reasonable for him or her so to file an appeal). If any appeal is filed in accordance with such rules, the claimant, and any duly authorized representative of the claimant, will be given the opportunity to review pertinent documents and submit issues and comments in writing. A formal hearing may be allowed in its discretion by the Committee (or such Committee representative) but is not required.

12.7.4 Upon any appeal of a denied claim made pursuant to Section 12.7.3 above, the Committee (or such Committee representative who has the authority to decide the appeal) will provide a full and fair review of the subject claim and decide the appeal within 60 days after the filing of the appeal; except that if special circumstances require an extension of time for processing the appeal, the period in which the appeal is to be decided will be extended for up to an additional 60 days (and the party deciding the appeal will provide the claimant written notice of the extension prior to the end of the initial 60-day period). The decision on appeal will be set forth in a writing designed to be understood by the claimant, specify the reasons for the decision and references to pertinent Plan provisions on which the decision is based, and be furnished to the claimant by the Committee (or such Committee representative) within the 60-day period or 120-day period, as is applicable, described above.

12.7.5 The Committee may prescribe additional rules which are consistent with the other provisions of this Section 12.7 in order to carry out the Plan's claim procedures.

12.8 LIMITS ON DUTIES. The Committee shall have no duty to independently verify any information supplied by the Employer and shall have no duty or responsibility to collect from the Employer all or any portion of any Employer contribution to the Plan. The Committee also shall have no duty or responsibility to verify the status of any Employee or former Employee under this Plan or to determine the identity or address of any person who is or may become entitled to the payment of any benefit from this Plan, and the Committee shall be entitled to delay taking any action respecting the payment of any benefit until the identity of the person entitled to such benefit and his or her address have been certified by the Employer.

12.9 APPOINTMENT OF INVESTMENT MANAGER.

12.9.1 The Committee, as a Named Fiduciary under the Plan, may appoint in writing a person, or more than one person, who (1) is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Act"), (2) is a Bank, as defined in the Act, or (3) is an insurance company which is

qualified, within the meaning of Section 3(38) of ERISA, to manage, acquire, and dispose of the assets of an employee benefit plan, as an investment manager for all or a specified portion of the assets of the Trust Fund. A person who is appointed as an investment manager shall have the sole power, without prior consultation with the Trustee, to manage and direct the acquisition and disposition of the assets of the Trust Fund which specifically are allocated by the Committee to that person's management account (his or her "Management Account"). The Committee at its discretion may terminate the appointment of any person as an investment manager and may cause assets to be added or deleted from any such person's Management Account.

12.9.2 The effective date of the appointment of a person as an investment manager shall be the date such person delivers to the Committee and to the Trustee a written statement which in the Committee's judgment adequately covers items (a) through (d) below:

(a) An acknowledgment (1) that such person is a Plan fiduciary within the meaning of Section 3(21)(A) of ERISA and (2) that such person has assumed sole responsibility for the management and the direction of the acquisition and disposition of the Trust Fund assets in his or her Management Account;

(b) A representation that such person is registered as an investment adviser under the Act, is a Bank as defined in the Act, or as an insurance company has the power within the meaning of Section 3(38)(A) of ERISA to manage, acquire, and dispose of the assets of an employee benefit plan;

(c) The names and signatures of individuals who are authorized to act on behalf of such person in connection with the management of his or her Management Account (the "List"), which List may be amended from time to time by delivering written notice thereof to the Committee and to the Trustee and which List may be relied upon by them; and

(d) If appropriate and negotiable, an agreement that such person shall immediately notify the Committee of the commencement of any Securities and Exchange Commission investigation of any of his or her investment activities which may result either in a censure under the Act or in the suspension or revocation of his or her registration as an investment adviser under the Act.

12.9.3 The Committee may enter into a contract with an investment manager in connection with his or her appointment as such, which agreement may be subject to such terms and conditions as the Committee deems appropriate under the circumstances, including the following types of provisions:

(a) The appointment as investment manager may be terminated on the delivery of 30 days' prior written notice;

(b) If appropriate, the appointment shall be automatically terminated in the event the investment manager's registration as an investment adviser under the Act is suspended or revoked, such automatic termination to be effective coincident with such suspension or revocation;

(c) The investment manager shall make reports to the Committee describing all transactions with respect to his or her Management Account for each agreed upon reporting period; and

(d) All fees or other agreed upon compensation for services rendered to the Plan by the investment manager shall be paid out of the Trust Fund (or, if the Employer so elects, by the Employer directly).

12.9.4 An investment manager may exercise his or her powers through written directions or, at his or her option, may communicate such directions orally and as soon as practicable thereafter confirm them in writing, provided all directions, written or oral, shall be communicated by or, as applicable, signed by one of the individuals whose name and signature appear on

the List, or the investment manager may communicate and confirm such instructions in any manner agreed upon between the investment manager and the Trustee. The Trustee shall follow all such directions from an investment manager, and shall not be liable in any respect to any person for acting in accordance with such directions or for failing to act in the absence of such directions. Pending receipt of directions from the investment manager, any cash received by the Trustee from time to time for his or her Management Account may be retained by it in short term investments as may be prudent under all of the facts and circumstances then prevailing, including, without limitation, savings accounts, commingled short term investment funds, commercial paper, and governmental securities.

12.9.5 The Committee shall establish an investment policy for each investment manager and such policy shall preclude investments in employer securities and employer real property within the meaning of Section 407 of ERISA except to the extent that such investments

are allowable under ERISA. The Committee in addition shall implement an investment manager performance review procedure and pursuant thereto shall regularly review the performance of the investment manager to determine whether his or her appointment as such should be continued. The period between such reviews shall be determined by considering all the relevant facts and circumstances, including the volume of Trust Fund transactions.

SECTION 13

TERMINATION OR AMENDMENT

13.1 RIGHT AND PROCEDURE TO TERMINATE. Federated and each other Employer expects this Plan to be continued indefinitely, but Federated reserves the right to terminate the Plan in its entirety. The procedure for Federated to terminate this Plan in its entirety is as follows. In order to completely terminate the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to terminate this Plan. Such resolutions shall set forth therein the effective date of the Plan's termination. In the event the Board adopts resolutions completely terminating the Plan, the provisions of Sections 13.2 and 13.3 below shall apply.

13.2 FULL VESTING UPON TERMINATION. Should this Plan be completely terminated pursuant to action of the Board under Section 13.1 above, or should a partial termination of this Plan occur under any facts and circumstances, then the Accrued Benefit, determined as of the date of the complete or partial termination and to the extent then funded, of each affected Participant shall immediately become fully vested and nonforfeitable as a result of such termination.

13.3 ALLOCATION OF ASSETS ON TERMINATION.

13.3.1 Unless otherwise directed by the Pension Benefit Guaranty Corporation (the "PBGC"), upon the complete termination of the Plan, the Committee shall direct the allocation of the net assets of the Trust Fund among the Participants, and their beneficiaries under the Plan, in the following steps of priority:

(a) Step One:

(i) in the case of any Annuity benefit which had commenced as of the beginning of the three-year period ending on the date of termination, to each such benefit, based on the provisions of the Plan (as in effect during the five-year period ending on such date) under which such benefit would be the least, and

(ii) in the case of any Annuity benefit which would have commenced as of the beginning of such three-year period if the Participant had retired prior to the beginning of that period and if his or her benefit had commenced in the normal form of Annuity provided under the Plan as of the beginning of such period, to each such benefit based on the provisions of the Plan (as in effect during the five-year period ending on such date) under which such benefit would be the least.

For purposes of subparagraph (i) above, the lowest benefit payable during the applicable three-year period shall be considered to be the benefit payable for such entire period.

(b) Step 2:

(i) to all other benefits (if any) under the Plan which are guaranteed by the PBGC under title IV of ERISA, determined without regard to Section 4022B(a) of ERISA, and

(ii) to the additional benefits (if any) which would be determined under subparagraph (i) above if ERISA Section 4022(b)(5) does not apply.

For purposes of this Step Two, Section 4021 of ERISA shall be applied without regard to subsection (c) thereof.

(c) Step Three: to all other nonforfeitable benefits under the Plan (determined without regard to such benefits which become nonforfeitable solely because of the termination of the Plan).

(d) Step Four: to all other benefits under the Plan.

13.3.2 For purposes of taking the steps described in Section 13.2.1 above:

(a) The amount allocated under any step in Section 13.3.1 above with respect to any benefit shall be properly adjusted for any allocation of assets with respect to that benefit under a prior step in that Section;

(b) If the assets available for allocation under any step (other than Step Three) are insufficient to satisfy in full the benefits of all individuals which are described in that step, the assets shall be allocated pro-rata among such individuals on the basis of the present value (as of the termination date) of their respective benefits described in that step;

(c) If the assets available for allocation under Step Three are not sufficient to satisfy in full the benefits of the individuals described in that step, then:

(i) Except as provided in subparagraph (ii) below, the assets shall be allocated to the benefits of individuals described in Step Three on the basis of the benefits of those individuals which would have been described in such Step Three under the Plan as in effect at the beginning of the five-year period ending on the date of Plan termination; and

(ii) If the assets available for allocation under subparagraph (i) above are sufficient to satisfy in full the benefits described in subparagraph (i) above (without regard to the provisions of this subparagraph (ii)), then for purposes of subparagraph (i) above the

benefits of the individuals described therein shall be determined on the basis of the Plan as

amended by the most recent Plan amendment effective during such five-year period under which the assets available for allocation are sufficient to satisfy in full the benefits of the individuals described in subparagraph (i) above and any assets remaining to be allocated shall be allocated on a pro-rata basis to the additional benefits which would have been described in subparagraph (i) above under the next succeeding Plan amendment effective during such period; and

(d) If the allocations made pursuant to this Section 13.3 (without regard to this paragraph (d)) result in discrimination prohibited by Section 401(a)(4) of the Code, then, to the extent required to prevent the disqualification of the Plan (or any trust established under the Plan) under Section 401(a)(4) of the Code: (1) the assets allocated under clause (ii) of Step Two, under Step Three, and under Step Four shall be reallocated to the extent necessary to avoid such discrimination, and, if still necessary to avoid such discrimination after such reallocation, (2) the assets otherwise allocable to benefits which are limited or restricted under Section 8.3 above (and which are not otherwise allocated to subparagraph (ii) of Step Two, to Step Three, or to Step Four under clause (1) above) shall also be reallocated to the extent necessary to avoid such discrimination.

13.3.3 Upon a complete termination of the Plan, the Committee shall determine, and direct the Trustee accordingly, from among the following methods, the method of discharging and satisfying all obligations on behalf of Participants affected by the termination: (1) by the purchase and distribution of Annuity contracts; or (2) by a combination of the purchase and distribution of Annuity contracts and the liquidation and distribution of the assets of the Plan. Any distribution made by reason of the termination of the Plan shall continue to meet the provisions of the Plan concerning the form in which distributions from the Plan must be made.

13.3.4 Finally, in the case of a complete termination of the Plan, any residual assets which remain after all foregoing liabilities under the Plan to Participants, and their beneficiaries under the Plan, have been satisfied shall be distributed to the Employer, so long as such reversion does not violate applicable Federal law.

13.4 AMENDMENT OF PLAN.

13.4.1 Subject to the other provisions of this Section 13.4, Federated may amend this Plan at any time and from time to time in any respect, provided that no such amendment shall make it possible, at any time prior to the satisfaction of all liabilities with respect to Participants, for any part of the income or corpus of the Trust Fund to be used for or diverted to any purpose other than for the exclusive benefit of Participants and their beneficiaries. The procedure for Federated to amend this Plan is as follows:

(a) Subject to paragraph (b) below, in order to amend the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to amend this Plan. Such resolutions shall either (1) set forth the express

terms of the Plan amendment or (2) simply set forth the nature of the amendment and direct an officer of Federated or any other Federated employee to have prepared and to sign on behalf of Federated the formal amendment to the Plan. In the latter case, such officer or employee shall have prepared and shall sign on behalf of Federated an amendment to the Plan which is in accordance with such resolutions.

(b) In addition to the procedure for amending the

Plan set forth in paragraph (a) above, the Board may also adopt resolutions, pursuant and subject to the regulations or by-laws of Federated and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to delegate to any officer of Federated the authority to amend the Plan. Such resolutions may either grant the officer broad authority to amend the Plan in any manner the officer deems necessary or advisable or may limit the scope of amendments he or she may adopt, such as by limiting such amendments to matters related to the administration of the Plan or to changes requested by the Internal Revenue Service. In the event of any such delegation to amend the Plan, the officer to whom authority is delegated shall amend the Plan by having prepared and signing on behalf of Federated an amendment to the Plan which is within the scope of amendments which he or she has authority to adopt. Also, any such delegation to amend the Plan may be terminated at any time by later resolutions adopted by the Board. Finally, in the event of any such delegation to amend the Plan, and even while such delegation remains in effect, the Board shall continue to retain its own right to amend the Plan pursuant to the procedure set forth in paragraph (a) above.

13.4.2 It is provided, however, that, except as is otherwise permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan shall decrease any Participant's Accrued Benefit. In addition, except as is otherwise permitted in Section 411(d)(6) of the Code or in Treasury regulations issued thereunder, no amendment to the Plan which eliminates or reduces an early retirement benefit or a retirement-type subsidy or eliminates an optional form of benefit shall be permitted with respect to any Participant who meets (either before or after the amendment) the pre-amendment conditions for such early retirement, retirement-type subsidy, or optional form of benefit, to the extent such early retirement, retirement-type subsidy, or optional form of benefit is based and calculated on the basis of the Participant's Accrued Benefit determined at the time of such amendment.

13.4.3 Also, notwithstanding any other provisions hereof to the contrary, no Plan amendment (including any change made by this Plan amendment and restatement) which changes any vesting schedule or affects the computation of the nonforfeitable percentage of retirement benefits under the Plan shall be deemed to reduce the amount of the vested portion of any retirement benefit of a Participant below the amount of the vested portion of such retirement benefit, as determined as of the later of the date such amendment is adopted or the date such amendment becomes effective, computed under the Plan without regard to such amendment. Further, if a Plan amendment (including any change made by this Plan amendment and restatement) is adopted which changes any vesting schedule under the Plan or if the Plan is amended in any way which directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant who has completed at least three years of Vesting

Service (as defined in Section 2.1.7 above, disregarding for this purpose paragraph (c) of Section 2.1.7 above) may elect, within the election period, to have his or her nonforfeitable percentage computed under the Plan without regard to such amendment. For purposes hereof, the "election period" is a period which begins on the date the Plan amendment is adopted and ends on the date which is 60 days after the latest of the following days: (1) the day the Plan amendment is adopted, (2) the day the Plan amendment becomes effective, or (3) the day the Participant is issued a written notice of the Plan amendment by Federated or the Committee.

SECTION 14

TOP HEAVY PROVISIONS

14.1 DETERMINATION OF WHETHER PLAN IS TOP HEAVY. For purposes of this Section 14, this Plan shall be considered a "Top Heavy Plan" for any Plan Year if, and only if, (1) this Plan is an Aggregation Group Plan during at least part of such Plan Year, and (2) the ratio of the total Present Value of all accrued benefits of Key Employees under all Aggregation Group Plans to the total Present Value of all accrued benefits of both Key Employees and Non-Key Employees under all Aggregation Group Plans equals or exceeds 0.6. All calculations called for in clauses (1) and (2) above with respect to this Plan shall be made as of the Determination Date which is applicable to the subject Plan Year, and all calculations called for under clause (2) above with respect to any Aggregation Group Plan other than this Plan shall be made as of that plan's Determination Date which falls within the same calendar year as the Determination Date being used by this Plan. For the purpose of this Section 14, the following terms shall have the meanings hereinafter set forth:

14.1.1 AGGREGATION GROUP PLAN. "Aggregation Group Plan" refers, with respect to any plan year of such plan, to a plan (1) which qualifies under Code Section 401(a), (2) which is maintained by the Employer or an Affiliated Employer, and (3) which either includes a Key Employee as a participant (determined as of the Determination Date applicable to such plan year) or allows another plan qualified under Code Section 401(a), maintained by the Employer or an Affiliated Employer, and so including at least one Key Employee as a participant to meet the requirements of Section 401(a)(4) or Section 410(b) of the Code. In addition, the Employer may treat any plan which meets clauses (1) and (2) but not (3) of the immediately preceding sentence as an "Aggregation Group Plan" with respect to any plan year of such plan if the group of such plan and all other Aggregation Group Plans shall meet the requirements of Sections 401(a)(4) and 410(b) of the Code with such plan being taken into account.

14.1.2 DETERMINATION DATE. The "Determination Date" which is applicable to any plan year of an Aggregation Group Plan refers to the last day of the immediately preceding plan year (except that, for the first plan year of such a plan, the "Determination Date" applicable to such plan year shall be the last day of such first plan year).

14.1.3 KEY EMPLOYEE. With respect to any Aggregation Group Plan and as of any Determination Date, a "Key Employee" refers to a person who at any time during the plan year which includes such Determination Date or during any of the four immediately preceding plan years is an employee of the Employer or an Affiliated Employer and:

(a) An officer (disregarding any person with the title but not the authority of an officer) of the Employer or an Affiliated Employer, provided such person receives compensation from the Employer and the Affiliated Employers of an amount greater than 50% of the amount in effect under Section 415(b)(1)(A) of the Code (I.E., the maximum

dollar limit for defined benefit plans) for an applicable plan year in which he or she is such a officer. For this purpose, no more than 50 employees (or, if less, the greater of three or 10% of the employees of the Employer and all Affiliated Employers) shall be treated as officers;

(b) One of the ten employees directly owning (or considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") the largest employee-held interests in the Employer and the other Affiliated Employers, provided such person owns (or is so considered as owning) at least 0.5% of the Employer or any Affiliated Employer and receives compensation from the Employer and the other Affiliated Employers of an amount greater than the amount in effect under Section 415(c)(1) (A) of the Code (I.E., the maximum dollar annual addition limit for defined contribution plans) for an applicable plan year in which he or she is such an employee. For this purpose, if two employees have the same interest in the Employer and the other Affiliated Employers, the employee having the greater annual compensation from the Employer and the Affiliated Employers shall be treated as having a larger interest;

(c) A 5% or more owner of the Employer; or

(d) A 1% or more owner of the Employer who receives compensation of $150,000 or more from the Employer and the other Affiliated Employers for an applicable plan year in which he or she owns such interest.

For purposes of paragraphs (3) and (4) above, a person is considered to own 5% or 1%, as the case may be, of the Employer if he or she owns (or is considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "5%" for "50%") at least 5% or 1%, as the case may be, of either the outstanding stock of the Employer or the voting power of all stock of the Employer. Further, for purposes of this entire Section 14.1.3, the term "Key Employee" includes any person who is deceased as of the subject Determination Date but who when alive had been a Key Employee during the plan year which includes the subject Determination Date or any of the four immediately preceding plan years, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.4 NON-KEY EMPLOYEE. With respect to any Aggregation Group Plan and as of any Determination Date, a Non-Key Employee refers to a person who at any time during the plan year which includes such Determination Date or during any of the four immediately preceding plan years is an employee of the Employer or an Affiliated Employer and who has never been considered a Key Employee as of such or any earlier Determination Date. Further, for purposes of this Section 14.1.4, the term "Non-Key Employee" includes any person who is deceased as of the subject Determination Date and who when alive had been an employee of the Employer or an Affiliated Employer during the plan year which includes the subject Determination Date or any of the four immediately preceding plan years, but had not been a Key Employee as of the subject or any earlier Determination Date, and any accrued benefit payable to his or her beneficiary shall be deemed to be the accrued benefit of such person.

14.1.5 PRESENT VALUE OF ACCRUED BENEFITS.

(a) For any Aggregation Group Plan which is a defined benefit plan (as defined in Code Section 414(j)), including such a plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the single sum value (calculated as of the latest Valuation Date which coincides with or precedes such Determination Date and in accordance with the actuarial assumptions referred to in the next sentence) of the monthly retirement or termination benefit which the participant had accrued under such plan to such Valuation Date. For this purpose, the actuarial assumptions to be used shall be the actuarial assumptions used by the actuary for the plan in its valuation of the plan as of the subject Valuation Date. Also, for this purpose, such accrued monthly retirement or termination benefit is calculated as if it was to first commence as of the first day of the month next following the month in which the participant first attains his or her normal retirement age under such plan (or, if such normal retirement age had already been attained, as of the first day of the month next following the month in which occurs such Valuation Date) and as if it was to be paid in the form of a single life annuity. Further, the accrued benefit of any participant under such plan (other than a participant who is a Key Employee) shall be determined under the method which is used for accrual purposes for all plans of the Employer and the Affiliated Employers (or, if there is no such method, as if such benefit accrued not more rapidly than the allowed accrual rates permitted under Section 411(b)(1)(C) of the Code). In addition, the dollar amount of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the plan year which includes such Valuation Date or one of the four immediately preceding plan years shall be added in calculating such "Present Value" of the Participant's accrued benefit.

(b) For any Aggregation Group Plan which is a defined contribution plan (as defined in Code Section 414(i)), including such a

plan which has been terminated, the "Present Value" of a participant's accrued benefit, as determined as of any Determination Date, refers to the sum of (1) the total of the participant's account balances under the plan (valued as of the latest Valuation Date which coincides with or precedes such Determination Date), and (2) an adjustment for contributions due as of such Determination Date. In the case of a profit sharing or stock bonus plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, actually made after the subject Valuation Date but on or before such Determination Date (and, in the case of the first plan year, any amounts contributed to the plan after such Determination Date which are allocated as of a date in such first plan year). In the case of a money purchase pension or target benefit plan, the adjustment in clause (2) above shall be the amount of the contributions, if any, which are either actually made or due to be made after the subject Valuation Date but before the expiration of the period allowed for meeting minimum funding requirements under Code Section 412 for the plan year which includes the subject Determination Date. In addition, the value of any distributions made from the plan (including the value of any annuity contract distributed from the plan) actually paid to such participant prior to the subject Valuation Date but still within the plan year which includes such

Valuation Date or one of the four immediately preceding plan years shall be added in calculating such "Present Value" of the participant's accrued benefit.

(c) In the case of any rollover (as defined in the appropriate provisions of the Code) from an Aggregation Group Plan to another plan qualified under Section 401(a) of the Code or vice versa, or a direct qualified plan-to-qualified plan transfer to or from a subject Aggregation Group Plan, which rollover or transfer is both initiated by a participant and made between a plan maintained by the Employer or an Affiliated Employer and a plan maintained by an employer other than the Employer or an Affiliated Employer, (1) the Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall count the amount of the rollover or transfer as a distribution made as of the date such amount is distributed by such plan in determining the "Present Value" of the participant's accrued benefit under paragraph (a) or (b) above, as applicable, and (2) the Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall not so consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining such "Present Value" if such rollover or transfer was accepted after December 31, 1983 and shall so consider such amount if such rollover or transfer was accepted prior to January 1, 1984.

(d) In the case of any rollover (as defined in the appropriate provisions of the Code) from an Aggregation Group Plan to another plan qualified under Section 401(a) of the Code or vice versa, or a direct qualified plan-to-qualified plan transfer to or from a subject Aggregation Group Plan, which rollover or transfer is not described in paragraph (c) above, (1) the subject Aggregation Group Plan, if it is the plan from which the rollover or transfer is made, shall not consider the amount of the rollover or transfer as part of the participant's accrued benefit in determining the "Present Value" thereof under paragraph (a) or (b) above, as applicable, and (2) the subject Aggregation Group Plan, if it is the plan to which the rollover or transfer is made, shall consider the amount of the rollover or transfer when made as part of the participant's accrued benefit in determining such "Present Value."

(e) As is noted in paragraphs (a) and (b) above, the "Present Value" of any participant's accrued benefit under either a defined benefit plan or a defined contribution plan as of any Determination Date includes the value of any distribution from such a plan actually paid to such participant prior to the last Valuation Date which coincides with or precedes such Determination Date but still within the plan year which includes such Valuation Date or one of the four immediately preceding plan years. This rule shall also apply to any distribution under any terminated defined benefit or defined contribution plan which, if it had not been terminated, would have been required to be included as an Aggregation Group Plan.

(f) Notwithstanding the foregoing provisions, the "Present Value" of a participant's accrued benefit under either a defined benefit plan or a defined contribution plan as of any Determination Date shall

be deemed to be zero if the participant has not performed services for the Employer or any Affiliated Employer at any time during the five year period ending on such Determination Date.

14.1.6 VALUATION DATE. A "Valuation Date" refers to: (1) in the case of a defined benefit plan (as defined in Code Section 414(j)), the date as of which the plan actuary computes plan costs for minimum funding requirements under Code Section 412 (except that, for a defined benefit plan which has terminated, a "Valuation Date" shall be deemed to be the same as a Determination Date); and (2) in the case of a defined contribution plan (as defined in Code Section 414(i)), the date as of which plan income, gains, and/or contributions are allocated to plan accounts of participants.

14.1.7 COMPENSATION. For purposes hereof, a Participant's "compensation" shall refer to his or her Compensation as defined in Section 1.10 above; except that, for purposes of Section 14.3 below, paragraph (b) and paragraph (c) of Section 1.10 above shall not apply.

14.2 EFFECT OF TOP HEAVY STATUS ON ENTITLEMENT TO RETIREMENT BENEFIT. If for any Plan Year this Plan is a Top Heavy Plan, then any Participant who is a Participant at some time during such Plan Year and who ceases to be an Employee during such or any later Plan Year without being or becoming entitled to any other retirement benefit under the Plan, but after completing at least three years of Vesting Service (not including any years of Vesting Service completed after the last Plan Year in which this Plan is considered a Top Heavy Plan), shall still be entitled to a retirement benefit under the Plan (unless he or she dies before the commencement date of the benefit). Subject to the other provisions of the Plan, any such retirement benefit shall: (1) commence as of the earlier of the Participant's Normal Retirement Date or his or her Required Commencement Date; (2) be paid in the form of a Single Life Annuity; and (3) provide, if the retirement benefit would be paid in the form of a Single Life Annuity which commences as of the earlier of the dates set forth in clause (1) above, a monthly amount equal to the amount which makes such monthly retirement benefit actuarially equivalent to the amount credited to the Participant's Cash Balance Account on the date as of which such monthly retirement benefit is to commence. The provisions of the Plan (other than Sections 5.1 through 5.4 above), including Sections 5.5, 5.6, 5.7, 6, 7, 8, and 9 above, shall apply to the retirement benefit payable under this Section 14.2 as if such retirement benefit was described in Section 5.4 above.

14.3 EFFECT OF TOP HEAVY STATUS ON BENEFIT AMOUNTS.

14.3.1 For any Plan Year in which this Plan is considered a Top Heavy Plan, the annual amount of any retirement benefit to which a Participant becomes entitled under Section 5 or 14.2 above shall not, if paid in the form of a Single Life Annuity which commences as of the later of the Participant's Normal Retirement Date or the first day of the first month which begins on or after the date he or she ceases to be an Employee (or, if earlier, as of his or her Required Commencement Date), be less than: (1) 2% of the Participant's average annual compensation (as defined in Section 14.3.2 below), multiplied by (2) the Participant's years of Vesting Service (as modified below), up to but not exceeding ten such years.

14.3.2 For purposes of this Section 14.3, a Participant's "average annual compensation" refers to the annual average of his or her compensation received from the

Employer and all Affiliated Employers for the five consecutive calendar years which produce the highest result (excluding from consideration, however, compensation received in any Plan Year which began prior to January 1, 1984 and in any calendar year which begins after the end of the last Plan Year in which the Plan is considered a Top Heavy Plan).

14.3.3 For purposes of this Section 14.3, a Participant's years of Vesting Service shall not include the period of any Plan Year which began prior to January 1, 1984 or any Plan Year as of which the Plan is not considered a Top Heavy Plan.

14.3.4 For purposes of the foregoing provisions of this Section 14.3, a Participant's benefit accruals under any other defined benefit plan (as defined in Section 414(j) of the Code) maintained by the Employer or any Affiliated Employer and which is an Aggregation Group Plan for the subject Plan Year, other than benefit accruals made by reason of any special top heavy provisions of such other plan, shall be considered as benefit accruals under this Plan.

14.3.5 Notwithstanding the foregoing provisions of this Section 14.3, such provisions shall not apply so as to cause any additional benefit to be provided a Participant for a Plan Year under this Plan if (1) such Participant actively participates in an Aggregation Group Plan maintained by an Affiliated Employer at any time in such Plan Year which is later than any date in such year on which he or she actively participates in this Plan and (2) such other plan provides for the same benefit as would otherwise be required under the foregoing provisions of this Section 14.3 for such Plan Year.

14.4 EFFECT OF TOP HEAVY STATUS ON COMBINED MAXIMUM PLAN LIMITS. For any Plan Year in which this Plan is considered a Top Heavy Plan, the references to "125%" contained in Section 8.2 above shall be changed to "100%." Notwithstanding the foregoing, the provisions of this Section 14.4 shall not apply, and shall no longer be effective, after December 31, 1999.

SECTION 15

SPECIAL MINIMUM BENEFITS FOR CERTAIN COLLECTIVELY BARGAINED MACY'S EMPLOYEES

15.1 GENERAL RULES FOR MINIMUM BENEFITS. If any Participant who is an Eligible Collectively Bargained Macy's Participant is entitled to receive a retirement benefit under any of the foregoing provisions of this Plan, then the monthly amount of such benefit determined as of any date (called in this Section 15.1 the "subject date"), if such benefit would be determined to be paid in the form of a Single Life Annuity which commences as of the later of such Participant's Normal Retirement Date or the subject date, shall not in any event be less than such Participant's Minimum Monthly Benefit Formula Amount. For purposes of this Section 15, an "Eligible Collectively Bargained Macy's Participant" means a Participant who is represented by Local 1-S of the Retail, Wholesale, Department Store Workers Union, AFL-CIO (called in this Section 15 the "Union"), and who is therefore also assigned to a store which is classified by Federated as part of the "Macy's East" or "Macy's New York" division or group. In addition, the following provisions of this Section 15.1 determine, for these purposes, an Eligible Collectively Bargained Macy's Participant's "Minimum Monthly Benefit Formula Amount" as of any subject date.

15.1.1 GENERAL RULES FOR DETERMINING MINIMUM MONTHLY BENEFIT FORMULA AMOUNT. For purposes of the Plan, subject to the other provisions of the Plan, an Eligible Collectively Bargained Macy's Participant's "Minimum Monthly Benefit Formula Amount" shall be equal to the sum of: (1) the monthly amount of the aggregate benefit, determined as if such benefit was payable in the form of a Single Life Annuity beginning as of the later of such Participant's Normal Retirement Date or the first day of the first month which begins on or after the subject date, accrued by such Participant under the Prior Plan which was named the R.H. Macy & Co., Inc. Pension Plan (called in this Section 15.1, the "Macy's Plan") as of December 31, 1996 and which was known as the "Additional Monthly Benefit Formula Amount" under the terms of the Macy's Plan as in effect on December 31, 1996; and (2) the sum, for each Post-December 31, 1996 Accrual

Period which begins prior to the subject date and for which such Participant is credited with a whole or partial year of Minimum Benefit Credited Service, of the product obtained by multiplying (x) the Annual Full-Time Remaining Service Accrual Rate in effect as of the first day of such Post-December 31, 1996 Accrual Period by (2) such Participant's Minimum Benefit Credited Service credited for such Post-December 31, 1996 Accrual Period. Notwithstanding the foregoing, in no event will such Participant's "Minimum Monthly Benefit Formula Amount" as of any subject date be deemed to be less than the highest Minimum Monthly Benefit Formula Amount of such Participant which could be determined as of any preceding date.

15.1.2 DEFINITIONS FOR DETERMINING MINIMUM MONTHLY BENEFIT FORMULA AMOUNT. As used in the provisions of this Section 15, in determining an Eligible Collectively Bargained Macy's Participant's Minimum Monthly Benefit Formula Amount as of any subject date, the

following terms shall have the meanings indicated below unless it is clear from the context that another meaning is intended:

(a) ANNUAL FULL-TIME REMAINING SERVICE ACCRUAL RATE - - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service, the quotient produced by dividing (1) such Participant's Projected Remaining Full-Time Accrual determined as of the first day of such Post-December 31, 1996 Accrual Period by (2) such Participant's Projected Remaining Full-Time Service.

(b) DETERMINATION DATE - means, with respect to any Eligible Collectively Bargained Macy's Participant, each of the following dates:

(i) The date which is the later of (1) the date on which such Participant attained age 25 (or, if such Participant attained age 25 on or after August 1, 1985, the later of August 1, 1985 or the date he or she attains age 21) or (2) the first day of the first computation period for which he or she is credited with a year of Eligibility Service;

(ii) Each date on which such Participant first becomes an Employee after both he or she had previously terminated employment as an Employee and his or her prior Track Service was cancelled pursuant to paragraph (l) below; and

(iii) Each other date as of which his or her Minimum Benefit Schedule changes pursuant to a Plan amendment.

(c) FULL-TIME EMPLOYEE - means, with respect to any specific period and when used for purposes of determining the Minimum Monthly Benefit Formula Amount of any Eligible Collectively Bargained Macy's Participant's, an employee who is represented by Local 1-S and credited with a number of Hours of Service during such period which is not less than the customary and prevailing number of Hours of Service scheduled during such period for full-time employees who are represented by Local 1-S at the location at which such Eligible Collectively Bargained Macy's Participant works.

(d) FULL-TIME IMPUTED ACCRUED BENEFIT - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service: (1) if such Participant has at all times during the periods for which he or she has been credited with Track Service (up to the first day of such Post-December 31, 1996 Accrual Period) been a Full-Time Employee, the Participant's Minimum Monthly Benefit Formula Amount determined as of the day immediately preceding the first day of such Post-December 31, 1996 Accrual Period; or (2) if such Participant has not at all times during such periods been a Full-Time Employee, the amount that such Participant's

Minimum Monthly Benefit Formula Amount would have been if he or she had been a Full-Time Employee during all such periods.

(e) MINIMUM BENEFIT CREDITED SERVICE - means, with respect to any Eligible Collectively Bargained Macy's Participant, such Participant's service with the Employer which is taken into account under the Plan for purposes of determining such Participant's Minimum Monthly Benefit Formula Amount, computed as follows:

(i) Subject to the following provisions of this paragraph (e), such Participant shall be credited, for each Post-December 31, 1996 Accrual Period, with an amount of Minimum Benefit Credited Service equal to:

(A) If such Participant was regularly scheduled to work as a Full-Time Employee throughout such Post-December 31, 1996 Accrual Period, a part of a year (expressed as a decimal fraction of a year), not more than 1.00 year, which is equal to the ratio that the Post-December 31, 1996 Accrual Period's duration is to an entire calendar year;

(B) If such Participant was not regularly scheduled to work as a Full-Time Employee throughout such Post-December 31, 1996 Accrual Period but does average at least 831/3 Hours of Service per month as an Employee who is represented by Local 1-S during such Post-December 31, 1996 Accrual Period (or, if such Post-December 31, 1996 Accrual Period occurs before 1995, is regularly scheduled to work 20 or more hours per week while an Employee who is represented by Local 1-S during such Post-December 31, 1996 Accrual Period), a part of a year (expressed as a decimal fraction of year), not more than 1.00 year, which is equal to the product obtained by multiplying (1) the part of a year (expressed as a decimal fraction of a year), not more than 1.00 year, which is equal to the ratio that the Post-December 31, 1996 Accrual Period's duration is to an entire calendar year by (2) a fraction, not to exceed one, having a numerator equal to the number of such Participant's Hours of Service as an Employee who is represented by Local 1-S during such Post-December 31, 1996 Accrual Period and a denominator equal to the number of Hours of Service that a Full-Time Employee would customarily complete during such entire Post-December 31, 1996 Accrual Period; or

(C) If such Participant is not credited with a whole or partial year of Minimum Benefit Credited Service for such Post-December 31, 1996 Accrual Period under (A) or (B) above, no year.

(ii) Notwithstanding the foregoing provisions, such Participant shall not in any event be credited with a whole or partial year of Minimum Benefit Credited Service for any Post-December 31, 1996 Accrual Period which ends prior to the first Determination Date applicable to such Participant.

(iii) In addition, subject to the following provisions of this paragraph (e), such Participant shall also be credited with Minimum Benefit Credited Service equal to the total number of years (and decimal fraction thereof) of "additional benefit credited service" (as defined in the Macy's Plan as in effect on December 31, 1996) which were credited under the Macy's Plan to the Participant for benefit accrual purposes as of December 31, 1996 (taking into account all of the Macy's Plan's provisions for determining such service, including such plan's provisions concerning breaks-in-service, which were in effect during the periods prior to December 31, 1996).

(iv) Further, also notwithstanding any of the foregoing provisions of this paragraph (e), any Minimum Benefit Credited Service completed by such Participant prior to a Break-in-Service of such Participant (as defined for purposes of determining such Participant's

Eligibility Service) shall be disregarded by the Plan if both (1) such Participant did not have a nonforfeitable interest in any retirement benefit under the Plan at the time such Break-in-Service began and (2) such Participant's Eligibility Service completed prior to such Break-in-Service is disregarded pursuant to Section 2.1.2(c) above.

(v) Similarly, and also notwithstanding any of the foregoing provisions of this paragraph (e), any Minimum Benefit Credited Service completed by such Participant prior to a Break-in-Service of such Participant (as defined for purposes of determining the Participant's Vesting Service) shall be disregarded by the Plan if both (1) such Participant did not have a nonforfeitable interest in any retirement benefit under the Plan at the time such Break-in-Service began and (2) such Participant's Vesting Service completed prior to such Break-in-Service is disregarded pursuant to Section 2.1.7(c) above.

(f) MINIMUM BENEFIT SCHEDULE - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of any Determination Date, the benefit schedule set forth in Schedule B to this Plan which applies on such Determination Date pursuant to the provisions of Schedule B to this Plan. For purposes of this Section 15, once a Minimum Benefit Schedule is established for an Eligible Collectively Bargained Macy's Participant as of any Determination Date, such schedule shall continue to constitute such Participant's Minimum Benefit Schedule and to remain in effect for such Participant until the next Determination Date which is applicable to such Participant.

(g) POST-DECEMBER 31, 1996 ACCRUAL PERIOD - means each calendar year which begins on or after January 1, 1997. Notwithstanding the foregoing, in the event that one or more Determination Dates occur during the course of (and other than on the first day of) any period which otherwise would constitute a Post-December 31, 1996 Accrual Period under the immediately preceding sentence (called in this paragraph (g) a "year accrual period"), such year accrual period shall be divided into more than one Post-December 31, 1996 Accrual Period, with the first such Post-December 31, 1996 Accrual Period beginning on the first day of such year accrual period and ending on the day immediately preceding the next Determination Date and with each following Post-December 31, 1996 Accrual Period which falls in such year accrual period beginning on the first day following the end of the immediately preceding

Post-December 31, 1996 Accrual Period and ending on the earlier of the day immediately preceding the next following Determination Date or the last day of such year accrual period.

(h) PROJECTED REMAINING FULL-TIME ACCRUAL - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service, the amount (if any) by which (1) the Participant's Target Monthly Benefit determined as of the first day of such Post-December 31, 1996 Accrual Period exceeds (2) such Participant's Full-Time Imputed Accrued Benefit determined as of the first day of such Post-December 31, 1996 Accrual Period.

(i) PROJECTED REMAINING FULL-TIME SERVICE - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service, the period (expressed in whole years and decimal fraction thereof) of Minimum Benefit Credited Service which would be credited to such Participant from the first day of such Post-December 31, 1996 Accrual Period to the later of the date such Participant first attains his or her Normal Retirement Age or the subject date as of which such Participant's Minimum Monthly Benefit Formula Amount is being determined if the Participant were a Full-Time Employee throughout such period. For purposes of determining the decimal fraction of a year of Projected Remaining Full-Time Service that a partial month represents, a partial month of 15 or more days will constitute one-twelfth of a year and a partial month of less than 15 days will not constitute any part of a year.

(j) PROJECTED TOTAL TRACK SERVICE - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service, the number of whole years of Track Service which would be credited to such Participant from the first Determination Date applicable to such Participant (even if such Determination Date precedes the first day of such Post-December 31, 1996 Accrual Period) to the later of the date such Participant first attains his or her Normal Retirement Age or the subject date as of which such Participant's Minimum Monthly Benefit Formula Amount is being determined if such Participant were a Full-Time Employee throughout such period.

(k) TARGET MONTHLY BENEFIT - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of the first day of any Post-December 31, 1996 Accrual Period for which such Participant earns a whole or partial year of Minimum Benefit Credited Service, the product produced by multiplying (1) the amount of the "Monthly Benefit Per Year of Projected Total Track Service" which is indicated as applying to the number of years of such Participant's Projected Total Track Service as of the first day of such Post-December 31, 1996 Accrual Period under and pursuant to the Minimum Benefit Schedule which is in effect for such Participant on the first day of such Post-December 31, 1996 Accrual Period (I.E., under and pursuant to the Minimum Benefit Schedule applicable to such Participant on the latest Determination Date which occurs on or before the first day of such

Post-December 31, 1996 Accrual Period) by (2) the number of years of such Participant's Projected Total Track Service as of the first day of such Post-December 31, 1996 Accrual Period; except that such Target Monthly Benefit shall in no event exceed the amount set forth as the "Maximum Target Monthly Benefit" in such Minimum Benefit Schedule.

(l) TRACK SERVICE - means, with respect to any Eligible Collectively Bargained Macy's Participant and as of any date, the number of whole years included in the periods described in the immediately following sentence, but in any event excluding any periods which occur prior to the later of (1) the date on which such Participant attained age 25 (or, if such Participant attained age 25 on or after August 1, 1985, the later of August 1, 1985 or the date he or she attains age 21) or (2) the first day of the first computation period for which he or she is credited with a year of Eligibility Service. For purposes of determining the part of a whole year of Track Service that a partial month represents, a partial month of 15 or more days will constitute one-twelfth of a year and a partial month of less than 15 days will not constitute any part a year. Subject to the limitations set forth in the foregoing provisions of this paragraph (l), the periods for which Track Service shall be credited for an Eligible Collectively Bargained Macy's Participant are the following periods:

(i) Each period of time occurring prior to the Effective Amendment Date which was credited to him or her as "Track Service" under the Macy's Plan as of December 31, 1996;

(ii) Each period of time occurring on or after the Effective Amendment Date during which he or she is an Employee who is represented by Local I-S;

(iii) Each period of time (to the extent not otherwise credited under subparagraph (ii) above) during which he or she is not an Employee who is represented by Local 1-S by reason of an established uniform and nondiscriminatory leave or layoff policy of the Employer (or any part of the Employer, E.G., any corporation or division included as part of the Employer);

(iv) Each period of time (to the extent not otherwise credited under subparagraphs (ii) and (iii) above) during which he or she is not an Employee who is represented by Local 1-S and which occurs between two periods of his or her employment as an Employee who is represented by Local 1-S which are separated by a break of no more than five consecutive years; or

(v) Each other period of time (to the extent not otherwise credited under subparagraphs (i), (ii), (iii), and (iv) above) which the Board determines in a uniform and nondiscriminatory manner shall apply as Track Service or which is granted as Track Service pursuant to a uniform and nondiscriminatory written policy of the Employer (or any part thereof).

15.2 SPECIAL DISABILITY RETIREMENT BENEFIT FOR CERTAIN PARTICIPANTS. If any Eligible Collectively Bargained Macy's Participant ceases to be an Employee by reason of his or her disability prior to attaining his or her Normal Retirement Age but after completing at least ten years of Vesting Service, and if such Participant's retirement benefit under the Plan is being paid in the form of a Single Life Annuity commencing as of any date prior to such Participant's Normal Retirement Date, then the monthly amount of such benefit shall not in any event be less than such Participant's Minimum Monthly Benefit Formula Amount (as determined under the provisions of Section 15.1 above as of the date as of which such retirement benefit is to commence), without such Minimum Monthly Benefit Formula Amount being reduced by reason of such retirement benefit commencing prior to such Participant's Normal Retirement Date. For purposes of this Section 15.2, such Participant's "disability" means such Participant's physical or mental impairment (resulting from anatomical, physiological, or psychological abnormalities which are demonstrable by medically accepted clinical and laboratory techniques) which in the opinion of a qualified physician selected or approved by the Committee renders such Participant totally and permanently disabled. Further, such Participant shall be considered to be suffering from a "disability" only if (1) the impairment can be expected to result in death or to last for a period of not less than twelve months and (2) the impairment renders such Participant unable to do his or her previous work and, considering his or her age, education, and work experience, unable to engage in any other kind of substantial gainful work.

SECTION 16

MISCELLANEOUS

16.1 TRUST. All assets of the Plan shall be held in the Trust for the benefit of the Participants and their beneficiaries. Except as provided in Sections 10.2 and 13.3 above, in no event shall it be possible for any part of the assets of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and their beneficiaries or for payment of the proper administrative costs of the Plan and the Trust. No person shall have any interest in or right to any part of the earnings of the Trust, or any rights in, to, or under the Trust or any part of the assets thereof, except as and to the extent expressly provided in the Plan. Any person having any claim for any benefit under the Plan shall look solely to the assets of the Trust Fund for satisfaction. In no event shall Federated or any other Employer or any of their officers or agents, or members of the Board, the Committee, or the Trustee, be liable in their individual capacities to any person whomsoever for the payment of benefits under the provisions of the Plan.

16.2 MERGERS, CONSOLIDATIONS, AND TRANSFERS OF ASSETS. Notwithstanding any other provision hereof to the contrary, in no event shall this Plan or the Trust be merged or consolidated with any other plan and trust, nor shall any of the assets or liabilities of this Plan and the Trust be transferred to any other plan or trust or vice versa, unless (1) the Committee consents to such merger, consolidation, or transfer of assets as consistent with the rules set forth

herein and the purposes of this Plan, (2) each Participant and beneficiary would (if this Plan and the Trust then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan and the Trust had then terminated), and (3) such merger, consolidation, or transfer of assets does not cause any accrued benefit, early retirement benefit, retirement-type subsidy, or optional form of benefit of a person under this Plan or the applicable other plan to be eliminated or reduced except to the extent such elimination or reduction is permitted under Section 411(d)(6) of the Code or in Treasury regulations issued thereunder. In the event of any such merger, consolidation, or transfer, the requirements of clause (2) set forth in the immediately preceding sentence shall be deemed to be satisfied if the merger, consolidation, or transfer conforms to and is in accordance with regulations issued under Section 414(1) of the Code. In addition, in the case of any spin-off to this Plan from another plan which is maintained by the Employer or an Affiliated Employer or of any spin-off from this Plan to another plan which is maintained by the Employer or an Affiliated Employer, a percentage of the excess assets (as determined under Section 414(l)(2) of the Code) held in the plan from which the spin-off is made (if any) shall be allocated to each of such plans to the extent required by Section 414(l)(2) of the Code. Subject to the provisions of this Section 16.2, the Committee may take action to merge or consolidate this Plan and the Trust with any other plan and trust, or permit the transfer of any assets and liabilities of this Plan and the Trust to any other plan and trust or vice versa.

16.3 BENEFITS AND SERVICE FOR MILITARY SERVICE. Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

16.4 AUTHORITY TO ACT FOR FEDERATED OR OTHER EMPLOYER. Except as is otherwise expressly provided elsewhere in this Plan, any matter or thing to be done by Federated or any other employer included as part of the Employer shall be done by its board of directors, except that the board may, by resolution, delegate to any persons or entities all or part of its rights or duties hereunder. Any such delegation shall be valid and binding upon all persons, and the persons or entities to whom or to which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by resolution of such board.

16.5 RELATIONSHIP OF PLAN TO EMPLOYMENT RIGHTS. The adoption and maintenance of the Plan is purely voluntary on the part of Federated and any other Employer and neither the adoption nor the maintenance of the Plan shall be construed as conferring any legal or equitable rights to employment on any person.

16.6 APPLICABLE LAW. The provisions of the Plan shall be administered and enforced according to Federal law and, only to the extent not preempted by Federal law, to the laws of the State of Ohio. Either Federated or the Trustee may at any time initiate any legal action or proceedings for the settlement of the Trustee's accounts or for the determination of any question of construction which arises or for instructions. Except as required by law, in any application to, or proceeding or action in, any court with regard to the Plan or Trust, only Federated and the Trustee shall be necessary parties, and no Participant, beneficiary, or other person having or claiming any interest in the Plan or Trust shall be entitled to any notice or service of process. Federated or the Trustee may, if either so elects, include as parties defendant any other persons. Any judgment entered into in such a proceeding or action shall be conclusive upon all persons claiming under the Plan or Trust.

16.7 AGENT FOR SERVICE OF PROCESS. The agent for service of process for the Plan shall be the Secretary of Federated.

16.8 REPORTING AND DISCLOSURE. Federated shall act as the Plan Administrator for purposes of satisfying any requirement now or hereafter

imposed through Federal or State legislation to report and disclose to any Federal or State department or agency, or to any Participant or other person, any information respecting the establishment or maintenance of the Plan or the Trust Fund. Any cost or expense incurred in satisfying any and all such reporting and disclosure requirements shall be deemed to be a reasonable expense of administering the Plan and may be paid from the Trust Fund if not otherwise elected to be paid by the Employer.

16.9 SPECIAL BENEFIT PAYMENT RULES FOR CERTAIN COLLECTIVELY BARGAINED EMPLOYEES. Subject to the other provisions of this Section 16.9 but notwithstanding any other provision of the Plan to the contrary, any Participant whose principal work location is in California and who

is a member of a group which is identified below shall have his or her retirement benefit under this Plan increased to the extent necessary so that the actuarial value of his or her aggregate retirement benefits under this Plan and any other plan which is qualified under Code Section 401(a) and maintained by the Employer or an Affiliated Employer is not less than the actuarial value of the benefits he or she would have been entitled to under the Western Conference of Teamsters Pension Plan had he or she been covered by such plan solely with respect to his or her service for the Employer as a member of such group. The provisions of this Section 16.9 shall not apply to such Participant, however, if and once either: (1) the Western Conference of Teamsters Pension Plan is no longer qualified under Section 401(a) of the Code, or (2) the provisions of this Section 16.9 are no longer required by a collective bargaining agreement which applies to the Participant. The groups which are subject to the provisions of this Section 16.9 are Employees represented by: the Warehouse Union, Local 860; the Freight, Construction General Drivers, Warehousemen and Helpers Union, Local 287, IBT; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local 315; the Warehouse and Production Workers' Union, Local 860; the Warehouse, Mail Order and Retail Employees, Local 853; the Chauffeurs, Teamsters, Warehousemen and Helpers, Local 150; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, General Teamsters Local 439; or the General Teamsters, Warehousemen and Helpers Union, Local 890.

16.10 SEPARABILITY OF PROVISIONS. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

16.11 COUNTERPARTS. The Plan may be executed in any number of counterparts, each of which shall be deemed an original, and the counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

16.12 HEADINGS. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

16.13 CONSTRUCTION. In the construction of this Plan, the masculine shall include the feminine, the singular shall include the plural, and the plural shall include the singular, in all cases where such meanings would be appropriate.

16.14 EMPLOYMENT RULE. Any individual who is a common law employee of a corporation which is a member of the controlled group of corporations (within the meaning of Section 414(b) of the Code) which includes Federated (called in this Section 16.12 the "Federated controlled group") shall, for all purposes of this Plan, be considered to be the common law employee of the corporation in the Federated controlled group from whose payroll the individual is paid. If any individual participating in this Plan by reason of being paid under the payroll of a corporation which is included as part of the Employer is actually the common law employee of a corporation in the Federated controlled group which is not included as part

of the Employer, such other corporation shall be considered an employer participating in this Plan for purposes of Sections 401(a) and 404 of the Code.

16.15 SCHEDULES AND EXHIBITS. Any Schedules attached to this Plan are hereby deemed to be part of this Plan. In this regard: (1) Schedule A sets forth certain actuarial assumptions used in this Plan and; (2) Schedule B provides information concerning the determination of minimum monthly benefit amounts which are applicable to certain Participants.

SIGNATURE PAGE

IN WITNESS WHEREOF, the sponsor of the Plan hereby signs this amendment and restatement of the Plan this 13TH day of DECEMBER, 1996, effective for all purposes as of January 1, 1997.

FEDERATED DEPARTMENT STORES, INC.

By /s/ John R. Sims

Title Vice President

SCHEDULE A

ACTUARIAL ASSUMPTIONS

Subject to the other provisions of the Plan, the (1) the actuarial assumptions to be used in calculating the present value of a Participant's accrued benefit under the Prior Plans for purposes of determining the initial credit amount to be credited to such Participant's Cash Balance Account under Section 4.2 of the Plan and (2) the actuarial assumptions to be used in determining the actuarial equivalence of different annuity forms and/or times for payment of a benefit under the Plan shall be determined under the following provisions of this Schedule A.

PART 1. CONVERSION OF PRIOR ACCRUED BENEFITS INTO INITIAL CREDIT AMOUNTS.

When the Plan requires the determination of an initial credit amount to be credited to any Participant's Cash Balance Account under Section 4.2 of the Plan, the actuarial assumptions to be used in calculating the present value of the Participant's accrued benefit under the Prior Plans as of the later of the Effective Amendment Date or the date he or she first becomes an active Participant in this Plan on or after the Effective Amendment Date (the later of such dates being called in this Part 1 the "subject date") shall be the following assumptions:

A. An appropriate mortality assumption based on the 1983 Group Annuity Mortality Tables; and

B. An interest rate assumption determined in accordance with the following provisions:

(1) With respect to any benefit of an applicable Participant which has been accrued under the Prior Plan which was named the R.H. Macy & Co., Inc. Pension Plan, such interest rate assumption shall be 8% per annum;

(2) With respect to any benefit of an applicable Participant which has been accrued under any Prior Plan other than the R.H. Macy & Co., Inc. Pension Plan, such interest rate assumption shall be: (i) 8% per annum if the applicable Participant is younger than age 45 on the subject date, (ii) 7% per annum if the applicable Participant is at least age 45 but is not yet age 50 on the subject date, or (iii) 6% per annum if the applicable Participant is at least age 50 on the subject date.

PART 2. DETERMINATION OF ACTUARIAL EQUIVALENCE BETWEEN ANNUITY FORMS.

Unless otherwise set forth in an applicable section of the Plan, when the Plan requires a determination that a benefit, if it were paid in an Annuity and to commence as of any particular date, would be actuarially equivalent to such benefit if it were to be paid in a different

form of Annuity but to commence as of the same date, the actuarial assumptions to be used in making such calculation shall be determined in accordance with the following provisions:

A. ANNUITY FORM FACTORS. The following actuarial factors are used under the Plan in determining the actuarial equivalence of a benefit payable in one of the following benefit forms and commencing as of any date when

compared to such benefit if it was paid in the form of a Single Life Annuity which commences as of the same date:

<TABLE>

<S>	<C>
Qualified Joint and 100% Survivor Annuity or Joint 100% Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: 0.800 + (0.005 x (65-A)) + (0.01 x (B-A)), where A is the age of the Participant as of the date the benefit commences to be paid and B is the age of the contingent beneficiary under the benefit as of the same date. The maximum amount of such factor shall be 0.975. Such factor is called herein the "100% factor."
Qualified Joint and 75% Survivor Annuity or Joint and 75% Survivor Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: (4 x 100% factor) / (3 + 100% factor).
Qualified Joint and 66-2/3% Survivor Annuity or Joint and 66-2/3% Survivor Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: (3 x 100% factor) / (2 + 100% factor).
Qualified Joint and 50% Survivor Annuity or Joint and 50% Survivor Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: (2 x 100% factor) / (1 + 100% factor).

</TABLE>

Schedule A-2

<TABLE>

<S>	<C>
Life and Five Year Certain Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: 0.980 + (0.003 x (65-A)), where A is the age of the Participant as of the date the benefit commences to be paid. The maximum amount of such factor shall be 0.999.
Life and Ten Year Certain Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: 0.940 + (0.006 x (65-A)), where A is the age of the Participant as of the date the benefit commences to be paid. The maximum amount of such factor shall be 0.999.
Life and Twenty Year Certain Annuity:	Multiply the monthly amount of the benefit when paid in the form of a Single Life Annuity by the following factor: 0.800 + (0.015 x (65-A)), where A is the age of the Participant as of the date the benefit commences to be paid. The maximum

amount of such factor shall be 0.999.

Social Security Leveling Annuity: Subject to the immediately following paragraph, the monthly amount of the benefit under this Annuity until the Participant's entitlement date shall be equal to: (1) the monthly amount of the benefit if it was payable in the form of a Single Life Annuity; multiplied by (2) the factor set forth in column B below which is appropriate to the Participant's attained age as of the date the benefit commences to be paid. The amount determined under the above two clauses shall be called herein the Participant's "initially determined pre-entitlement date amount."

Notwithstanding the foregoing, if the amount the Committee estimates would be the Participant's primary old-age benefit under the Federal Social Security Act, as amended, as of his entitlement date is less than his or her initially determined pre-entitlement date amount, then, instead of being determined under the immediately preceding

</TABLE>

Schedule A-3

<TABLE>

<S> <C>

paragraph, the monthly amount of the benefit under this Annuity until the Participant's entitlement date shall be equal to: (1) the monthly amount of the benefit if it was payable in the form of a Single Life Annuity; plus (2) the product produced by multiplying the amount the Committee estimates would be the Participant's primary old-age benefit under the Federal Social Security Act, as amended, as of his or her entitlement date by the factor set forth in column A below which is appropriate to the Participant's attained age as of the date the benefit commences to be paid.

Further, the monthly amount of the benefit under this Annuity on and after the Participant's entitlement date shall be equal to: (1) monthly amount of the benefit under this Annuity until the Participant's entitlement date, as determined under the two immediately preceding paragraphs; less (2) the amount the Committee estimates would be the Participant's primary old-age benefit under the Federal Social Security Act, as amended, as of his or her entitlement date. In no event shall the monthly amount of the benefit under this Annuity on and after the Participant's entitlement date be less than zero.

For purposes hereof, the Participant's "entitlement date" means the first day on which a Participant would be entitled (on proper application) to receive his or her primary old-age benefit under the Federal Social Security Act, as amended, on either an unreduced or reduced basis.

</TABLE>

Schedule A-4

Attained Age of Participant as of Date	Column

Benefit Commences	A	B
61	0.9219	12.7973
60	0.8513	6.7271
59	0.7875	4.7068
58	0.7296	3.6989
57	0.6770	3.0959
56	0.6290	2.6952
55	0.5851	2.4102
54	0.5449	2.1975
53	0.5081	2.0328
52	0.4742	1.9019
51	0.4430	1.7954
50	0.4143	1.7072
49	0.3877	1.6332
48	0.3631	1.5702
47	0.3404	1.5161
46	0.3193	1.4691
45	0.2997	1.4280
44	0.2815	1.3919
43	0.2646	1.3598
42	0.2488	1.3313
41	0.2341	1.3057
40	0.2204	1.2827
39	0.2076	1.2620
38	0.1956	1.2432
37	0.1844	1.2261
36	0.1739	1.2105
35	0.1641	1.1963
34	0.1549	1.1832
33	0.1462	1.1712
32	0.1381	1.1602
31	0.1304	1.1500
30	0.1233	1.1406
29	0.1165	1.1319
28	0.1102	1.1238
27	0.1042	1.1163
26	0.0985	1.1093

Schedule A-5

SCHEDULE B

MINIMUM BENEFIT SCHEDULES

This Schedule B sets forth certain benefit information concerning each Minimum Benefit Schedule applicable to the Plan.

MINIMUM BENEFIT SCHEDULE IN EFFECT ON EFFECTIVE AMENDMENT DATE

<TABLE>
<CAPTION>

Projected Total Track Service	Monthly Benefit Per Year of Projected Total Track Service
<S>	<C>
Less than 15	$6.75
15-19	$7.25
20-24	$8.75
25-29	$12.00
30 or more	$13.50

Maximum Target Monthly Benefit: $540.00

</TABLE>

Schedule B-1

EXHIBIT 11

FEDERATED DEPARTMENT STORES, INC.

EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

(THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	52 WEEKS ENDED FEBRUARY 1, 1997		53 WEEKS ENDED FEBRUARY 3, 1996	
	SHARES	INCOME	SHARES	INCOME
<S>	<C>	<C>	<C>	<C>
Net income and average number of shares outstanding	207,537	$265,864	191,503	$ 74,553
Earnings per share	$1.28		$0.39	
PRIMARY COMPUTATION:				
Average number of common share equivalents:				
Shares to be issued to the U.S. Treasury	40		81	
Deferred compensation plan	234		164	
Warrants	1,706		383	
Stock options	1,547		926	
Adjusted number of common and common equivalent shares outstanding and adjusted net income	211,064	$265,864	193,057	$ 74,553
Primary earnings per share	$1.26		$0.39	
FULLY DILUTED COMPUTATION:				
Additional adjustments to a fully diluted basis:				
Convertible notes	10,239	10,637	--	
Warrants	57	166		
Stock options	48	113		
Adjusted number of shares outstanding and net income on a fully diluted basis	221,408	$276,501	193,336	$ 74,553
Fully diluted earnings per share	$1.25		$0.39	

</TABLE>

Exhibit 21

<TABLE>
<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME
<S>	<C>	<C>
22 East Advertising Agency, Inc.	Florida	
22 East Realty Corporation	Florida	
3240 Properties Corp.	Delaware	
A&S Real Estate, Inc.	Delaware	
Allied Mortgage Financing Corp.	Delaware	
Allied Stores General Real Estate Company	Delaware	
Allied Stores International Sales Company, Inc.	New York	
Allied Stores International, Inc.	New York	
Allied Stores Marketing Corp.	New York	
Astoria Realty, Inc.	Delaware	
Auburndale Realty, Inc.	Delaware	
Bamrest Del, Inc.	Delaware	
Bamrest Penn, Inc.	Pennsylvania	
BFC Real Estate Company	Delaware	
Bloomingdale's By Mail Ltd.	New York	
Bloomingdale's Real Estate, Inc.	Delaware	
Bloomingdale's, Inc.	Ohio	Bloomingdale's
Broadway Receivables, Inc.	Delaware	
Broadway Stores, Inc.	Delaware	Macy's
Bullock's, Inc.	Ohio	Macy's
Burdine's Main Store Real Estate, Inc.	Delaware	
Burdine's Real Estate II, Inc.	Delaware	
Burdine's Real Estate, Inc.	Delaware	
Burdines, Inc.	Ohio	Burdines
Calclove Realty Corp.	California	
Camelback Funding Corporation	Delaware	
Carter Hawley Hale Properties, Inc.	California	
Cowie & Company, Limited	New York	
Davrest Ga., Inc.	Georgia	
Delphis Corporation	Delaware	
Douglaston Plaza, Inc.	Delaware	
Executive Placements Consultants, Inc.	New York	
FACS Group, Inc.	Ohio	FACS
FDS National Bank	Ohio	
Federated Claims Administration, Inc.	Ohio	
Federated Claims Services Group, Inc.	Delaware	

</TABLE>

<TABLE>
<CAPTION>

NAME	STATE OF INCORPORATION	TRADENAME
<S>	<C>	<C>
Federated Corporate Services, Inc.	Delaware	
Federated Credit Holdings Corporation	Delaware	
Federated Department Stores Foundation	Ohio	
Federated Department Stores Insurance Company, Ltd.	Bermuda	
Federated Department Stores, Inc.	Delaware	
Federated Noteholding Corporation	Delaware	
Federated Noteholding Corporation II	Delaware	
Federated Real Estate, Inc.	Delaware	
Federated Retail Holdings, Inc.	Delaware	
Federated Specialty Stores, Inc.	Ohio	
Federated Stores Realty, Inc.	Delaware	
Federated Systems Group, Inc.	Delaware	
Finite Limited	Hong Kong	
Garage Park Corp.	New York	
Hamilton By Appointment	Delaware	
Hunt Valley Properties Corp.	Maryland	
I. Magnin Properties Corp.	Delaware	
I. Magnin Properties Corp. II	Delaware	
I. Magnin, Inc.	Delaware	
Jordan Marsh Insurance Agency, Inc.	Massachusetts	
Jordan Servicenter, Inc.	Delaware	
Jor-Mar, Inc.	Delaware	

NAME	STATE OF INCORPORATION	TRADENAME
Kings Plaza Shopping Center of Avenue U, Inc.	New York	
L&K Properties Corp.	Ohio	
Lazarus PA, Inc.	Ohio	Lazarus
Lazarus Real Estate, Inc.	Delaware	
Lazarus, Inc.	Ohio	Lazarus
M H L Properties Corp. of Massachusetts	Massachusetts	
Macy Credit Corp.	Delaware	
Macy Financial, Inc.	Delaware	
Macy N. R. Properties Corp.	New York	
Macy Special Real Estate Capital Corp.	Delaware	
Macy's Close-Out, Inc.	Ohio	
Macy's Data and Credit Services Corp.	Delaware	
Macy's East, Inc.	Ohio	Macy's
Macy's Kings Plaza Real Estate, Inc.	Delaware	

NAME	STATE OF INCORPORATION	TRADENAME
Macy's Primary Real Estate, Inc.	Delaware	
Macy's Real Estate, Inc.	Delaware	
Macy's Secondary Real Estate, Inc.	Delaware	
Macy's West, Inc.	Ohio	Macy's
MOA Rest, Inc.	Minnesota	
MSS-Delaware, Inc.	Delaware	Carter Club & Aeropostale
Nasstock, Inc.	New York	
New Haven Properties Corp.	Connecticut	
Paramustock, Inc.	New Jersey	
Pasadena Properties Corp.	Delaware	
Prime II Receivables Corporation	Delaware	
Prime Receivables Corporation	Delaware	
R. H. Macy (France) S.A.R.L.	France	
R. H. Macy Holdings (HK), Ltd.	Delaware	
R. H. Macy Overseas Finance N.V.	Netherlands Antilles	
R. H. Macy Warehouse (HK), Ltd.	Delaware	
Rest Tex, Inc.	Texas	
Rich's Department Stores, Inc.	Ohio	Goldsmith's & Rich's
Rich's Main Store Real Estate, Inc.	Delaware	
Rich's Real Estate, Inc.	Delaware	
Sabugo, Limited	Hong Kong	
Sacvent Garage	California	
Sanstoff East Properties Corp.	California	
Saramaas Realty Corp.	Florida	
Seven Hills Funding Corporation	Delaware	
Seven West Seventh, Inc.	Delaware	
Shop 34 Advertising, Inc.	New York	
Stern's Department Stores, Inc.	Ohio	Stern's
Stern's-Echelon, Inc.	Delaware	
Stern's-Granite Run, Inc.	Delaware	
Stern's-Moorestown, Inc.	Delaware	
Sunsac Properties Corp.	California	
The Bon, Inc.	Ohio	The Bon Marche
U & F Realty Corp.	New York	
W. P. Properties Corp.	New York	
Wise Chat Limited	Hong Kong	

Exhibit 23

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. 33-88240 and 33-88242) on Form S-8 of Federated Department Stores, Inc. of our report dated March 4, 1997, relating to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of February 1, 1997 and February 3, 1996 and the related consolidated statements of income and cash flows for the fifty-two week period ended February 1, 1997, the fifty-three week period ended February 3, 1996 and the fifty-two week period ended January 28, 1995, which report appears in the February 1, 1997 annual report on Form 10-K of Federated Department Stores, Inc.

KPMG PEAT MARWICK LLP

Cincinnati, Ohio
April 17, 1997

Exhibit 24

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, John R. Sims and Padma Tatta Cariappa, or any 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 any 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 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: April 17, 1997 /s/ Allen I. Questrom

Allen I. Questrom

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, John R. Sims and Padma Tatta Cariappa, or any 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 any 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 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: April 17, 1997 /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, John R. Sims and Padma Tatta Cariappa, or any 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 any 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 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: April 17, 1997 /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, John R. Sims and Padma Tatta Cariappa, or any 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 any 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 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: April 17, 1997 /s/ Lyle Everingham

Lyle Everingham

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Dated: April 17, 1997 /s/ Meyer Feldberg

Meyer Feldberg

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Dated: April 17, 1997 /s/ Earl G. Graves, Sr.

Earl G. Graves, Sr.

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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: April 17, 1997 /s/ George V. Grune

George V. Grune

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Dated: April 17, 1997 /s/ Joseph Neubauer

Joseph Neubauer

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Dated: April 17, 1997 /s/ Paul W. Van Orden

Paul W. Van Orden

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Dated: April 17, 1997 /s/ Karl M. von der Heyden

Karl M. von der Heyden

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Dated: April 17, 1997 /s/ Marna C. Whittington

Marna C. Whittington

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Dated: April 17, 1997 /s/ James M. Zimmerman

James M. Zimmerman

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Dated: April 17, 1997 /s/ Craig E. Weatherup

Craig E. Weatherup

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