

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 1, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 1-13536

Macy's, Inc.

Incorporated in Delaware

I.R.S. Employer Identification No.
13-3324058

7 West Seventh Street
Cincinnati, Ohio 45202
(513) 579-7000

and

151 West 34th Street
New York, New York 10001
(212) 494-1602

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at August 28, 2009

Common Stock, \$0.01 par value per share

420,523,244 shares

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

MACY’S, INC.

Consolidated Statements of Operations
(Unaudited)

(millions, except per share figures)

	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	<u>August 1, 2009</u>	<u>August 2, 2008</u>	<u>August 1, 2009</u>	<u>August 2, 2008</u>
Net sales	\$ 5,164	\$ 5,718	\$10,363	\$11,465
Cost of sales	<u>(3,021)</u>	<u>(3,346)</u>	<u>(6,240)</u>	<u>(6,873)</u>
Gross margin	2,143	2,372	4,123	4,592
Selling, general and administrative expenses	(1,861)	(2,037)	(3,817)	(4,140)
Division consolidation costs	(34)	(26)	(172)	(113)
Asset impairment charges	<u>—</u>	<u>(50)</u>	<u>—</u>	<u>(50)</u>
Operating income	248	259	134	289
Interest expense	(141)	(147)	(284)	(289)
Interest income	<u>2</u>	<u>9</u>	<u>4</u>	<u>15</u>
Income (loss) before income taxes	109	121	(146)	15
Federal, state and local income tax (expense) benefit	<u>(102)</u>	<u>(48)</u>	<u>65</u>	<u>(1)</u>
Net income (loss)	<u>\$ 7</u>	<u>\$ 73</u>	<u>\$ (81)</u>	<u>\$ 14</u>
Basic earnings (loss) per share	<u>\$.02</u>	<u>\$.17</u>	<u>\$ (.19)</u>	<u>\$.03</u>
Diluted earnings (loss) per share	<u>\$.02</u>	<u>\$.17</u>	<u>\$ (.19)</u>	<u>\$.03</u>

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

MACY'S, INC.

Consolidated Balance Sheets
(Unaudited)

(millions)

	August 1, 2009	January 31, 2009	August 2, 2008
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 515	\$ 1,306	\$ 1,293
Receivables	401	439	341
Merchandise inventories	4,634	4,769	5,008
Income tax receivable	23	—	27
Supplies and prepaid expenses	231	226	243
Total Current Assets	5,804	6,740	6,912
Property and Equipment—net of accumulated depreciation and amortization of \$5,957, \$5,458 and \$5,677	10,046	10,442	10,655
Goodwill	3,743	3,743	9,132
Other Intangible Assets—net	697	719	757
Other Assets	494	501	537
Total Assets	<u>\$20,784</u>	<u>\$ 22,145</u>	<u>\$27,993</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current Liabilities:			
Short-term debt	\$ 92	\$ 966	\$ 1,616
Merchandise accounts payable	1,683	1,282	1,843
Accounts payable and accrued liabilities	2,071	2,628	2,251
Income taxes	—	28	—
Deferred income taxes	226	222	234
Total Current Liabilities	4,072	5,126	5,944
Long-Term Debt	8,632	8,733	8,761
Deferred Income Taxes	1,082	1,119	1,450
Other Liabilities	2,449	2,521	2,002
Shareholders' Equity	4,549	4,646	9,836
Total Liabilities and Shareholders' Equity	<u>\$20,784</u>	<u>\$ 22,145</u>	<u>\$27,993</u>

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

MACY'S, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

	26 Weeks Ended August 1, 2009	26 Weeks Ended August 2, 2008
Cash flows from operating activities:		
Net income (loss)	\$ (81)	\$ 14
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation expense	42	26
Division consolidation costs	172	113
Asset impairment charges	—	50
Depreciation and amortization	604	630
Amortization of financing costs and premium on acquired debt	(12)	(14)
Changes in assets and liabilities:		
Decrease in receivables	40	109
Decrease in merchandise inventories	135	52
Increase in supplies and prepaid expenses	(5)	(25)
Increase in other assets not separately identified	(3)	—
Increase in merchandise accounts payable	379	437
Decrease in accounts payable and accrued liabilities not separately identified	(658)	(474)
Decrease in current income taxes	(51)	(371)
Increase (decrease) in deferred income taxes	(36)	20
Increase (decrease) in other liabilities not separately identified	(90)	25
Net cash provided by operating activities	<u>436</u>	<u>592</u>
Cash flows from investing activities:		
Purchase of property and equipment	(150)	(284)
Capitalized software	(41)	(63)
Proceeds from hurricane insurance claims	—	13
Disposition of property and equipment	9	22
Net cash used by investing activities	<u>(182)</u>	<u>(312)</u>

(continued)

MACY'S, INC.

Consolidated Statements of Cash Flows (continued)

(Unaudited)

(millions)

	26 Weeks Ended August 1, 2009	26 Weeks Ended August 2, 2008
Cash flows from financing activities:		
Debt issued	—	650
Financing costs	—	(5)
Debt repaid	(958)	(9)
Dividends paid	(42)	(110)
Decrease in outstanding checks	(44)	(101)
Acquisition of treasury stock	(1)	(1)
Issuance of common stock	—	6
Net cash provided (used) by financing activities	<u>(1,045)</u>	<u>430</u>
Net increase (decrease) in cash and cash equivalents	(791)	710
Cash and cash equivalents at beginning of period	<u>1,306</u>	<u>583</u>
Cash and cash equivalents at end of period	<u>\$ 515</u>	<u>\$ 1,293</u>
Supplemental cash flow information:		
Interest paid	\$ 307	\$ 306
Interest received	6	15
Income taxes paid (net of refunds received)	33	361

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

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

Macy's, Inc. and subsidiaries (the "Company") is a retail organization operating retail stores and Internet websites under two brands (Macy's and Bloomingdale's) that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods. The Company's operations include more than 840 stores in 45 states, the District of Columbia, Guam and Puerto Rico, as well as macys.com and bloomingdales.com.

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (the "2008 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2008 10-K.

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

The Consolidated Financial Statements for the 13 and 26 weeks ended August 1, 2009 and August 2, 2008, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company. The Company has evaluated subsequent events through September 8, 2009, which was the date the financial statements were issued and filed with the Securities and Exchange Commission ("SEC").

Because of the seasonal nature of the retail business, the results of operations for the 13 and 26 weeks ended August 1, 2009 and August 2, 2008 (which do not include the Christmas season) are not necessarily indicative of such results for the full fiscal year.

Certain Balance Sheet reclassifications were made to the prior fiscal year's amounts to conform with the classifications of such amounts for the current fiscal year.

In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 157-2 ("FSP 157-2") which permitted a one-year deferral for the implementation of Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157") with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective February 1, 2009, the Company adopted SFAS 157 for such nonfinancial assets and liabilities, which, for the Company, primarily consist of certain nonfinancial assets and liabilities accounted for under SFAS No. 142, "Goodwill and Other Intangible Assets," SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," SFAS No. 143, "Accounting for Asset Retirement Obligations" and SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The full adoption of SFAS 157 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"), which expands the annual disclosure requirements about plan assets for defined benefit pension plans and postretirement plans. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132(R)-1 is limited to the form and content of disclosures, and the Company does not anticipate that the adoption will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2009, the FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability has Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4") and FASB Staff Position No. 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FAS 115-2") to provide additional guidance about (1) measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions, and (2) recording impairment charges on investments in debt instruments. Additionally, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1") to require disclosures of fair value of certain financial instruments in interim financial statements. Effective in the second fiscal quarter of 2009, the Company adopted FSP 157-4, FAS 115-2 and FSP 107-1 and, other than requirements limited to the form and content of disclosures, the adoption of these Staff Positions did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," ("SFAS 165"), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted SFAS 165 in the second fiscal quarter of 2009. The adoption did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162," ("SFAS 168"), which establishes that the FASB Accounting Standards Codification ("Codification") will be the sole source of authoritative nongovernmental accounting principles generally accepted in the United States of America. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009, when all then existing non-SEC accounting standards will be superseded. The Company does not anticipate the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

2. Division Consolidation Costs

In 2008, the Company began a localization initiative called "My Macy's." This initiative is intended to strengthen local market focus and enhance selling service to enable the Company to both accelerate same-store sales growth and reduce expenses. To maximize the results from My Macy's, the Company has taken action in certain markets that: concentrates more management talent in local markets, effectively reducing the "span of control" over local stores; creates new positions in the field to work with central planning and buying executives in helping to understand and act on the merchandise needs of local customers; and empowers locally based executives to make more and better decisions. My Macy's is expected to drive sales growth by improving knowledge at the local level and then acting quickly on that knowledge.

In February 2009, the Company announced the expansion of the My Macy's localization initiative across the country. As My Macy's was rolled out nationally to new local markets in 2009, the Company's Macy's branded stores have been reorganized into a unified operating structure, through additional division consolidations, to support the Macy's business. Division central office organizations have been eliminated in New York-based Macy's East, San Francisco-based Macy's West, Atlanta-based Macy's Central and Miami-based Macy's Florida. The New York-based Macy's Home Store and Macy's Corporate Marketing divisions no longer exist as separate entities. Home Store functions have been integrated into the Macy's national merchandising, merchandise planning, stores and marketing organizations. Macy's Corporate Marketing has been integrated into the new unified marketing organization. The New York-based Macy's Merchandising Group has been refocused solely on the design, development and marketing of the Macy's family of private brands.

During the 13 and 26 weeks ended August 1, 2009, the Company recorded \$34 million and \$172 million, respectively, of costs and expenses associated with the division consolidation and localization initiative announced in February 2009, consisting primarily of severance costs and other human resource-related costs.

The following table shows for the 26 weeks ended August 1, 2009, the beginning and ending balance of, and the activity associated with, the severance accrual established in connection with the division consolidation and localization initiative announced in February 2009:

	<u>January 31, 2009</u>	<u>Charged To Division Consolidation Costs</u> (millions)	<u>Payments</u>	<u>August 1, 2009</u>
Severance costs	\$ 30	\$ 124	\$ (108)	\$ 46

The Company expects to pay out the majority of these accrued severance costs, which are included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 30, 2010. Additionally, the Company paid out the \$4 million of accrued severance costs established in connection with the store closings announced in January 2009, which were included in accounts payable and accrued liabilities on the Consolidated Balance Sheets as of January 31, 2009, during the 13 weeks ended May 2, 2009.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

In February 2008, the Company announced certain division consolidations in combination with My Macy's. The Company consolidated the Minneapolis-based Macy's North organization into New York-based Macy's East, the St. Louis-based Macy's Midwest organization into Atlanta-based Macy's South and the Seattle-based Macy's Northwest organization into San Francisco-based Macy's West. The Atlanta-based division was renamed Macy's Central.

During the 13 and 26 weeks ended August 2, 2008, the Company recorded \$26 million and \$113 million, respectively, of costs and expenses associated with the division consolidation and localization initiative announced in February 2008, consisting primarily of severance costs and other human resource-related costs.

The following table shows for the 26 weeks ended August 2, 2008, the beginning and ending balance of, and the activity associated with, the severance accrual established in connection with the division consolidation and localization initiative announced in February 2008:

	<u>February 2,</u> <u>2008</u>	<u>Charged</u> <u>To Division</u> <u>Consolidation</u> <u>Costs</u> (millions)	<u>Payments</u>	<u>August 2,</u> <u>2008</u>
Severance costs	\$ —	\$ 68	\$ (57)	\$ 11

The Company paid out the accrued severance costs at August 2, 2008, which were included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 31, 2009.

3. Asset Impairment Charges

In connection with the annual impairment test of goodwill and indefinite lived intangible assets completed during the second quarter of 2008, management concluded that approximately \$50 million of asset impairment charges for the 13 and 26 weeks ended August 2, 2008 were required in relation to indefinite lived acquired tradenames. As a result of the then-current operating performance and expectations regarding future operating performance of the Karen Scott and John Ashford private brand tradenames, it was determined that the carrying values exceeded the estimated fair values, which were based on discounted cash flows, by approximately \$50 million.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

4. Earnings (Loss) Per Share

The following tables set forth the computation of basic and diluted earnings (loss) per share:

	13 Weeks Ended			
	August 1, 2009		August 2, 2008	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
	(millions, except per share figures)			
Net income and average number of shares outstanding	\$ 7	420.2	\$ 73	420.0
Shares to be issued under deferred compensation plans		1.3		1.1
	\$ 7	421.5	\$ 73	421.1
Basic earnings per share	<u>\$.02</u>		<u>\$.17</u>	
Effect of dilutive securities-stock options and restricted stock		0.6		1.0
	\$ 7	422.1	\$ 73	422.1
Diluted earnings per share	<u>\$.02</u>		<u>\$.17</u>	

	26 Weeks Ended			
	August 1, 2009		August 2, 2008	
	<u>Loss</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
	(millions, except per share figures)			
Net income (loss) and average number of shares outstanding	\$ (81)	420.2	\$ 14	419.9
Shares to be issued under deferred compensation plans		1.3		1.1
	\$ (81)	421.5	\$ 14	421.0
Basic earnings (loss) per share	<u>\$ (.19)</u>		<u>\$.03</u>	
Effect of dilutive securities-stock options and restricted stock		—		1.4
	\$ (81)	421.5	\$ 14	422.4
Diluted earnings (loss) per share	<u>\$ (.19)</u>		<u>\$.03</u>	

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

In addition to the stock options and restricted stock reflected in the foregoing tables, stock options to purchase 34.3 million shares of common stock at prices ranging from \$11.32 to \$46.15 per share, 179,000 shares of restricted stock and 2,887,000 shares of performance based restricted stock units were outstanding at August 1, 2009, and stock options to purchase 33.9 million shares of common stock at prices ranging from \$21.25 to \$46.15 and 419,000 shares of restricted stock were outstanding at August 2, 2008, but were not included in the computation of diluted earnings per share for the 13 weeks ended August 1, 2009 or the 13 or 26 weeks ended August 2, 2008 because their inclusion would have been antidilutive.

Stock options to purchase 40.3 million shares of common stock at prices ranging from \$8.76 to \$46.15 per share, 179,000 shares of restricted stock and 2,887,000 shares of performance based restricted stock units were outstanding at August 1, 2009, but were not included in the computation of diluted loss per share for the 26 weeks ended August 1, 2009 because, as a result of the Company's net loss during this period, their inclusion would have been antidilutive.

5. Benefit Plans

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

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

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

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

	13 Weeks Ended		26 Weeks Ended	
	August 1, 2009	August 2, 2008	August 1, 2009	August 2, 2008
	(millions)			
<u>Pension Plan</u>				
Service cost	\$ 22	\$ 26	\$ 44	\$ 53
Interest cost	44	40	87	80
Expected return on assets	(47)	(48)	(93)	(95)
Recognition of net actuarial loss	—	2	—	3
Amortization of prior service cost	—	—	—	—
	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ 38</u>	<u>\$ 41</u>
<u>Supplementary Retirement Plan</u>				
Service cost	\$ 2	\$ 2	\$ 3	\$ 3
Interest cost	11	10	22	20
Recognition of net actuarial loss	—	—	—	—
Amortization of prior service cost	(1)	(1)	(1)	(1)
	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 24</u>	<u>\$ 22</u>
<u>Postretirement Obligations</u>				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	5	6	10	11
Recognition of net actuarial (gain) loss	(1)	—	(3)	1
Amortization of prior service cost	—	—	—	—
	<u>\$ 4</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 12</u>

The Company made a voluntary funding contribution to the Pension Plan for the 2008 plan year of \$60 million on August 28, 2009 and is considering making a voluntary funding contribution to the Pension Plan for the 2009 plan year of approximately \$115 million to \$190 million prior to January 30, 2010.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

6. Accumulated Other Comprehensive Loss

The following table shows the beginning and ending balance of, and the activity associated with, accumulated other comprehensive loss, net of income tax effects, for the 26 weeks ended August 1, 2009 and August 2, 2008:

	<u>August 1,</u> <u>2009</u>	<u>August 2,</u> <u>2008</u>
	(millions)	
Accumulated other comprehensive loss, at beginning of period	\$ (486)	\$ (182)
Unrealized gain (loss) on marketable securities, net of income tax effect of \$3 million and \$8 million	4	(12)
Post employment and postretirement benefit plans:		
Recognition of net actuarial (gain) loss, net of income tax effect of \$1 million and \$1 million	(2)	3
Prior service cost, net of income tax effect of less than \$1 million and less than \$1 million	(1)	(1)
Accumulated other comprehensive loss, at end of period	<u>\$ (485)</u>	<u>\$ (192)</u>

7. Fair Value Measurements

The following table shows the Company's financial assets that are required to be measured at fair value on a recurring basis at August 1, 2009, in accordance with the fair value hierarchy set forth in SFAS 157:

	<u>Fair Value Measurements</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	(millions)			
Marketable equity and debt securities	\$ 81	\$ 32	\$ 49	\$ —

Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, short-term debt, merchandise accounts payable, accounts payable and accrued liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments. The fair values of long-term debt, excluding capitalized leases, are estimated based on the quoted market prices for publicly traded debt or by using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The following table shows the estimated fair values of certain financial instruments of the Company at August 1, 2009:

	<u>Notional</u> <u>Amount</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
	(millions)		
Long-term debt	\$8,312	\$ 8,603	\$7,046

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

The Company reviews the carrying value of its goodwill and other intangible assets with indefinite lives at least annually for possible impairment in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets." Goodwill and other intangible assets with indefinite lives have been assigned to reporting units for purposes of impairment testing. The reporting units are the Company's retail operating divisions. Goodwill and other intangible assets with indefinite lives are tested for impairment annually at the end of the fiscal month of May.

During the second quarter of fiscal 2009, the Company completed its annual impairment test of goodwill and indefinite lived intangible assets. The goodwill impairment testing process includes estimating the fair value of each reporting unit based on its estimated discounted cash flows and comparing the estimated fair value of each reporting unit to its carrying value. The goodwill impairment testing process involves the use of unobservable inputs (level 3) and significant assumptions, estimates and judgments by management, and is subject to inherent uncertainties and subjectivity. Estimating a reporting unit's discounted cash flows involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales, gross margin and selling, general and administrative rates, capital expenditures, cash flows and the selection of an appropriate discount rate. Projected sales, gross margin and selling, general and administrative expense rate assumptions and estimated capital expenditures are based on the Company's annual business plan or other forecasted results. Discount rates reflect market-based estimates of the risks associated with the projected cash flows of the reporting unit directly resulting from the use of its assets in its operations.

Based on the results of the annual impairment test of goodwill and indefinite lived intangible assets, the Company determined that goodwill and indefinite lived intangible assets were not impaired as of May 30, 2009.

The use of different assumptions, estimates or judgments in the goodwill impairment testing process, including with respect to the estimated future cash flows of the Company's reporting units, the discount rate used to discount such estimated cash flows to their net present value, and the reasonableness of the resultant implied control premium relative to the Company's market capitalization, could materially increase or decrease the estimated fair value of a reporting unit and, accordingly, could impact the results of the annual impairment test.

8. Legal Settlement

During 2008, the Company was subject to a wage and hour class action in California. The Company concluded that it was probable that a loss of approximately \$25 million would be incurred to settle this legal matter and recorded an estimated amount of \$23 million as part of selling, general and administrative expenses during the 26 weeks ended August 2, 2008 and an additional amount of \$2 million during the 13 weeks ended November 1, 2008. The settlement of this legal matter has been finalized with court approval, and the Company paid the settlement amount of \$25 million during the 13 weeks ended May 2, 2009.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

9. Condensed Consolidating Financial Information

The senior notes and senior debentures of the Company, which constitute debt obligations of Macy's Retail Holdings, Inc. ("Subsidiary Issuer"), a wholly-owned subsidiary of Macy's, Inc. ("Parent"), are fully and unconditionally guaranteed by Parent. In the following condensed consolidating financial statements, "Other Subsidiaries" includes all other direct subsidiaries of Parent, including FDS Bank, Leadville Insurance Company and Snowdin Insurance Company and, after its transfer to Parent on November 2, 2008, Macy's Merchandising Group, Inc. and its subsidiary Macy's Merchandising Group International, LLC. "Subsidiary Issuer" includes operating divisions and non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer (including, prior to its transfer to Parent on November 2, 2008, Macy's Merchandising Group, Inc. and its subsidiary Macy's Merchandising Group International, LLC) are also reflected in "Other Subsidiaries."

Condensed Consolidating Balance Sheets as of August 1, 2009, August 2, 2008 and January 31, 2009, the related Condensed Consolidating Statements of Operations for the 13 and 26 weeks ended August 1, 2009 and August 2, 2008, and the related Condensed Consolidating Statements of Cash Flows for the 26 weeks ended August 1, 2009 and August 2, 2008 are presented on the following pages.

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Balance Sheet
As of August 1, 2009
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 269	\$ 58	\$ 188	\$ —	\$ 515
Receivables	—	47	354	—	401
Merchandise inventories	—	2,491	2,143	—	4,634
Supplies and prepaid expenses	—	98	133	—	231
Deferred income tax assets	—	—	17	(17)	—
Income tax receivable	146	—	—	(123)	23
Total Current Assets	415	2,694	2,835	(140)	5,804
Property and Equipment—net	—	5,651	4,395	—	10,046
Goodwill	—	3,315	428	—	3,743
Other Intangible Assets—net	—	232	465	—	697
Other Assets	4	135	355	—	494
Deferred Income Tax Assets	111	—	—	(111)	—
Intercompany Receivable	1,474	—	2,120	(3,594)	—
Investment in Subsidiaries	2,700	2,760	—	(5,460)	—
Total Assets	<u>\$4,704</u>	<u>\$ 14,787</u>	<u>\$ 10,598</u>	<u>\$ (9,305)</u>	<u>\$ 20,784</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	\$ —	\$ 89	\$ 3	\$ —	\$ 92
Merchandise accounts payable	—	857	826	—	1,683
Accounts payable and accrued liabilities	82	925	1,064	—	2,071
Income taxes	—	26	97	(123)	—
Deferred income taxes	9	234	—	(17)	226
Total Current Liabilities	91	2,131	1,990	(140)	4,072
Long-Term Debt	—	8,607	25	—	8,632
Intercompany Payable	—	3,594	—	(3,594)	—
Deferred Income Taxes	—	459	734	(111)	1,082
Other Liabilities	64	1,107	1,278	—	2,449
Shareholders' Equity	4,549	(1,111)	6,571	(5,460)	4,549
Total Liabilities and Shareholders' Equity	<u>\$4,704</u>	<u>\$ 14,787</u>	<u>\$ 10,598</u>	<u>\$ (9,305)</u>	<u>\$ 20,784</u>

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Operations
For the 13 Weeks Ended August 1, 2009
(millions)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 2,810	\$ 3,522	\$ (1,168)	\$ 5,164
Cost of sales	—	(1,688)	(2,485)	1,152	(3,021)
Gross margin	—	1,122	1,037	(16)	2,143
Selling, general and administrative expenses	(2)	(1,096)	(779)	16	(1,861)
Division consolidation costs	—	(11)	(23)	—	(34)
Operating income (loss)	(2)	15	235	—	248
Interest (expense) income, net					
External	1	(140)	—	—	(139)
Intercompany	(1)	(38)	39	—	—
Equity in earnings of subsidiaries	8	23	—	(31)	—
Income (loss) before income taxes	6	(140)	274	(31)	109
Federal, state and local income tax benefit (expense)	1	(7)	(96)	—	(102)
Net income (loss)	\$ 7	\$ (147)	\$ 178	\$ (31)	\$ 7

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Operations
For the 26 Weeks Ended August 1, 2009
(millions)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 5,620	\$ 6,393	\$ (1,650)	\$ 10,363
Cost of sales	—	(3,454)	(4,402)	1,616	(6,240)
Gross margin	—	2,166	1,991	(34)	4,123
Selling, general and administrative expenses	(4)	(2,203)	(1,644)	34	(3,817)
Division consolidation costs	—	(59)	(113)	—	(172)
Operating income (loss)	(4)	(96)	234	—	134
Interest (expense) income, net					
External	2	(282)	—	—	(280)
Intercompany	(1)	(78)	79	—	—
Equity in losses of subsidiaries	(79)	(36)	—	115	—
Income (loss) before income taxes	(82)	(492)	313	115	(146)
Federal, state and local income tax benefit (expense)	1	181	(117)	—	65
Net income (loss)	<u>\$ (81)</u>	<u>\$ (311)</u>	<u>\$ 196</u>	<u>\$ 115</u>	<u>\$ (81)</u>

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the 26 Weeks Ended August 1, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (81)	\$ (311)	\$ 196	\$ 115	\$ (81)
Division consolidation costs	—	59	113	—	172
Equity in losses of subsidiaries	79	36	—	(115)	—
Dividends received from subsidiaries	198	—	—	(198)	—
Depreciation and amortization	—	321	283	—	604
Increase in working capital	(45)	(52)	(63)	—	(160)
Other, net	6	4	(109)	—	(99)
Net cash provided by operating activities	<u>157</u>	<u>57</u>	<u>420</u>	<u>(198)</u>	<u>436</u>
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net	—	(53)	(129)	—	(182)
Net cash used by investing activities	<u>—</u>	<u>(53)</u>	<u>(129)</u>	<u>—</u>	<u>(182)</u>
Cash flows from financing activities:					
Debt repaid	—	(957)	(1)	—	(958)
Dividends paid	(42)	—	(198)	198	(42)
Intercompany activity, net	(853)	947	(94)	—	—
Other, net	(40)	(4)	(1)	—	(45)
Net cash used by financing activities	<u>(935)</u>	<u>(14)</u>	<u>(294)</u>	<u>198</u>	<u>(1,045)</u>
Net decrease in cash and cash equivalents	(778)	(10)	(3)	—	(791)
Cash and cash equivalents at beginning of period	<u>1,047</u>	<u>68</u>	<u>191</u>	<u>—</u>	<u>1,306</u>
Cash and cash equivalents at end of period	<u>\$ 269</u>	<u>\$ 58</u>	<u>\$ 188</u>	<u>\$ —</u>	<u>\$ 515</u>

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Balance Sheet
As of August 2, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 1,065	\$ 68	\$ 160	\$ —	\$ 1,293
Receivables	—	33	308	—	341
Merchandise inventories	—	2,578	2,430	—	5,008
Supplies and prepaid expenses	—	115	128	—	243
Income tax receivable	116	—	—	(89)	27
Total Current Assets	1,181	2,794	3,026	(89)	6,912
Property and Equipment—net	—	6,023	4,632	—	10,655
Goodwill	—	6,563	2,569	—	9,132
Other Intangible Assets—net	—	271	486	—	757
Other Assets	4	142	391	—	537
Deferred Income Tax Assets	111	—	—	(111)	—
Intercompany Receivable	304	—	1,211	(1,515)	—
Investment in Subsidiaries	8,411	4,907	—	(13,318)	—
Total Assets	<u>\$10,011</u>	<u>\$ 20,700</u>	<u>\$ 12,315</u>	<u>\$ (15,033)</u>	<u>\$ 27,993</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	\$ —	\$ 1,614	\$ 2	\$ —	\$ 1,616
Merchandise accounts payable	—	614	1,229	—	1,843
Accounts payable and accrued liabilities	113	1,211	927	—	2,251
Income taxes	—	27	62	(89)	—
Deferred income taxes	10	215	9	—	234
Total Current Liabilities	123	3,681	2,229	(89)	5,944
Long-Term Debt	—	8,733	28	—	8,761
Intercompany Payable	—	1,515	—	(1,515)	—
Deferred Income Taxes	—	1,118	443	(111)	1,450
Other Liabilities	52	880	1,070	—	2,002
Shareholders' Equity	9,836	4,773	8,545	(13,318)	9,836
Total Liabilities and Shareholders' Equity	<u>\$10,011</u>	<u>\$ 20,700</u>	<u>\$ 12,315</u>	<u>\$ (15,033)</u>	<u>\$ 27,993</u>

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Operations
For the 13 Weeks Ended August 2, 2008

(millions)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 3,073	\$ 3,097	\$ (452)	\$ 5,718
Cost of sales	—	(1,856)	(1,925)	435	(3,346)
Gross margin	—	1,217	1,172	(17)	2,372
Selling, general and administrative expenses	(1)	(1,142)	(911)	17	(2,037)
Division consolidation costs	—	(24)	(2)	—	(26)
Asset impairment charges	—	—	(50)	—	(50)
Operating income (loss)	(1)	51	209	—	259
Interest (expense) income, net					
External	6	(146)	2	—	(138)
Intercompany	7	(41)	34	—	—
Equity in earnings of subsidiaries	67	85	—	(152)	—
Income (loss) before income taxes	79	(51)	245	(152)	121
Federal, state and local income tax benefit (expense)	(6)	49	(91)	—	(48)
Net income (loss)	\$ 73	\$ (2)	\$ 154	\$ (152)	\$ 73

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Operations
For the 26 Weeks Ended August 2, 2008

(millions)

	<u>Parent</u>	<u>Subsidiary Issuer</u>	<u>Other Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 6,132	\$ 6,321	\$ (988)	\$ 11,465
Cost of sales	—	(3,861)	(3,965)	953	(6,873)
Gross margin	—	2,271	2,356	(35)	4,592
Selling, general and administrative expenses	(3)	(2,310)	(1,862)	35	(4,140)
Division consolidation costs	—	(80)	(33)	—	(113)
Asset impairment charges	—	—	(50)	—	(50)
Operating income (loss)	(3)	(119)	411	—	289
Interest (expense) income, net					
External	10	(287)	3	—	(274)
Intercompany	15	(83)	68	—	—
Equity in earnings of subsidiaries	(9)	102	—	(93)	—
Income (loss) before income taxes	13	(387)	482	(93)	15
Federal, state and local income tax benefit (expense)	1	159	(161)	—	(1)
Net income (loss)	\$ 14	\$ (228)	\$ 321	\$ (93)	\$ 14

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the 26 Weeks Ended August 2, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 14	\$ (228)	\$ 321	\$ (93)	\$ 14
Division consolidation costs	—	80	33	—	113
Asset impairment charges	—	—	50	—	50
Equity in earnings of subsidiaries	9	(102)	—	93	—
Dividends received from subsidiaries	271	—	—	(271)	—
Depreciation and amortization	—	339	291	—	630
(Increase) decrease in working capital	(25)	37	(284)	—	(272)
Other, net	(97)	233	(79)	—	57
Net cash provided by operating activities	172	359	332	(271)	592
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net	—	(34)	(278)	—	(312)
Net cash used by investing activities	—	(34)	(278)	—	(312)
Cash flows from financing activities:					
Debt issued, net of debt repaid	—	642	(1)	—	641
Dividends paid	(110)	—	(271)	271	(110)
Issuance of common stock, net of common stock acquired	5	—	—	—	5
Intercompany activity, net	779	(968)	189	—	—
Other, net	(116)	(6)	16	—	(106)
Net cash provided (used) by financing activities	558	(332)	(67)	271	430
Net increase (decrease) in cash and cash equivalents	730	(7)	(13)	—	710
Cash and cash equivalents at beginning of period	335	75	173	—	583
Cash and cash equivalents at end of period	\$1,065	\$ 68	\$ 160	\$ —	\$ 1,293

(continued)

MACY'S, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Condensed Consolidating Balance Sheet
As of January 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$1,047	\$ 68	\$ 191	\$ –	\$ 1,306
Receivables	2	69	368	–	439
Merchandise inventories	–	2,593	2,176	–	4,769
Supplies and prepaid expenses	–	121	105	–	226
Income taxes	121	–	–	(121)	–
Deferred income tax assets	–	–	22	(22)	–
Total Current Assets	1,170	2,851	2,862	(143)	6,740
Property and Equipment–net	–	5,898	4,544	–	10,442
Goodwill	–	3,315	428	–	3,743
Other Intangible Assets–net	–	250	469	–	719
Other Assets	3	84	414	–	501
Deferred Income Tax Assets	119	–	–	(119)	–
Intercompany Receivable	541	–	2,090	(2,631)	–
Investment in Subsidiaries	3,030	2,791	–	(5,821)	–
Total Assets	\$4,863	\$ 15,189	\$ 10,807	\$ (8,714)	\$ 22,145
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	\$ –	\$ 963	\$ 3	\$ –	\$ 966
Merchandise accounts payable	–	595	687	–	1,282
Accounts payable and accrued liabilities	143	1,336	1,149	–	2,628
Income taxes	–	23	126	(121)	28
Deferred income taxes	10	234	–	(22)	222
Total Current Liabilities	153	3,151	1,965	(143)	5,126
Long-Term Debt	–	8,706	27	–	8,733
Intercompany Payable	–	2,631	–	(2,631)	–
Deferred Income Taxes	–	363	875	(119)	1,119
Other Liabilities	64	1,139	1,318	–	2,521
Shareholders' Equity	4,646	(801)	6,622	(5,821)	4,646
Total Liabilities and Shareholders' Equity	\$4,863	\$ 15,189	\$ 10,807	\$ (8,714)	\$ 22,145

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

For purposes of the following discussion, all references to "second quarter of 2009" and "second quarter of 2008" are to the Company's 13-week fiscal periods ended August 1, 2009 and August 2, 2008, respectively, and all references to "2009" and "2008" are to the Company's 26-week fiscal periods ended August 1, 2009 and August 2, 2008, respectively.

The Company is a retail organization operating retail stores and Internet websites under two brands (Macy's and Bloomingdale's) that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods. The Company's operations include more than 840 stores in 45 states, the District of Columbia, Guam and Puerto Rico, as well as macys.com and bloomingdales.com.

For the past several years, the Company has been focused on four key priorities for improving the business over the longer term: (i) differentiating and editing merchandise assortments; (ii) simplifying pricing; (iii) improving the overall shopping experience; and (iv) communicating better with customers through more brand focused and effective marketing.

In February 2008, the Company announced a new initiative intended to strengthen local market focus and enhance selling service expected to enable the Company to both accelerate same-store sales growth and reduce expense. The localization initiative, called "My Macy's," was developed with the goal to accelerate sales growth in existing locations by ensuring that core customers surrounding each Macy's store find merchandise assortments, size ranges, marketing programs and shopping experiences that are custom-tailored to their needs. To maximize the results from My Macy's, the Company has taken action in certain markets that: concentrates more management talent in local markets, effectively reducing the "span of control" over local stores; creates new positions in the field to work with division central planning and buying executives in helping to understand and act on the merchandise needs of local customers; and empowers locally based executives to make more and better decisions. In combination with the localization initiative, the Company consolidated the Minneapolis-based Macy's North organization into New York-based Macy's East, the St. Louis-based Macy's Midwest organization into Atlanta-based Macy's South and the Seattle-based Macy's Northwest organization into San Francisco-based Macy's West. The Atlanta-based division was renamed Macy's Central. The savings from the division consolidation process, net of the amount invested in the localization initiative and increased store staffing levels, are expected to reduce selling, general and administrative ("SG&A") expenses, as compared to expected levels absent the consolidation, by approximately \$100 million per year, beginning in fiscal 2009. The partial-year benefit in SG&A expenses for fiscal 2008 was more than \$60 million. Sales performance in 2009 was strongest in some of the initial My Macy's markets.

MACY'S, INC.

In February 2009, the Company announced the expansion of the My Macy's localization initiative across the country. As My Macy's was rolled out nationally to new local markets in 2009, the Company's Macy's branded stores have been reorganized into a unified operating structure, through additional division consolidations, to support the Macy's business. Division central office organizations have been eliminated in New York-based Macy's East, San Francisco-based Macy's West, Atlanta-based Macy's Central and Miami-based Macy's Florida. This is expected to reduce central office and administrative expense, eliminate duplication, sharpen execution, and help the Company to partner more effectively with its suppliers and business partners. The savings from the My Macy's expansion announced in February 2009, net of the amount to be invested in the localization initiative, are expected to reduce SG&A expenses, as compared to expected levels absent the consolidation, by approximately \$400 million per year, beginning in fiscal 2010. The partial-year benefit in SG&A expenses for fiscal 2009 is estimated at approximately \$250 million. The Company anticipates incurring approximately \$200 million of additional division consolidation costs related to the My Macy's expansion in the remainder of fiscal 2009.

The Company's operations are impacted by competitive pressures from department stores, specialty stores, mass merchandisers and all other retail channels. The Company's operations are also impacted by general consumer spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of weather or natural disasters and other factors over which the Company has little or no control.

In recent periods, consumer spending levels have been adversely affected by a number of factors, including substantial declines in the level of general economic activity and real estate and investment values, substantial increases in consumer pessimism, unemployment and the costs of basic necessities, and a significant tightening of consumer credit. These conditions have reduced the amount of funds that consumers are willing and able to spend for discretionary purchases, including purchases of some of the merchandise offered by the Company. These conditions have also decreased projected future cash flows attributable to the Company's operations, including projected future cash flows assumed in connection with the acquisition of The May Department Stores Company, resulting in the Company recording in the fourth quarter of 2008 a reduction in the carrying value of its goodwill as of January 31, 2009, and a related non-cash impairment charge, in the estimated amount of \$5,382 million. The Company finalized its goodwill impairment testing as of January 31, 2009 during the first quarter of 2009 and completed its annual test for goodwill impairment as of May 30, 2009 during the second quarter of 2009, and, in connection therewith, determined that no additional adjustments to the carrying value of goodwill were necessary.

The effects of the factors and conditions described above may be experienced differently, or at different times, in the various geographic regions in which the Company operates, in relation to different types of merchandise that the Company offers for sale, or in relation to the Company's Macy's-branded and Bloomingdale's-branded operations. All of these effects, however, ultimately affect the Company's overall operations.

The Company cannot predict whether, when or the manner in which the economic conditions described above will change. Based on its assessment of current and anticipated market conditions and its recent performance, the Company is assuming that its comparable store sales in 2009 for most of the Company's operations and the Company as a whole will be down in the range of 7.0% to 7.5% from 2008 levels.

MACY'S, INC.

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in the 2008 10-K. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report (particularly in "Forward-Looking Statements") and in the 2008 10-K (particularly in "Risk Factors").

Results of Operations

Comparison of the 13 Weeks Ended August 1, 2009 and August 2, 2008

Net income for the second quarter of 2009 was \$7 million, compared to net income of \$73 million in the second quarter of 2008. Net income for the second quarter of 2009 reflects lower net sales and includes the impact of \$34 million of division consolidation costs. Net income for the second quarter of 2008 included the impact of \$26 million of division consolidation costs and \$50 million of asset impairment charges.

Net sales for the second quarter of 2009 totaled \$5,164 million, compared to net sales of \$5,718 million for the second quarter of 2008, a decrease of \$554 million or 9.7%. On a comparable store basis, net sales for the second quarter of 2009 were down 9.5% compared to the second quarter of 2008. Sales from the Company's Internet businesses in the second quarter of 2009 increased 9.4% compared to the second quarter of 2008 and positively affected the Company's second quarter of 2009 comparable store sales by 0.5%.

Geographically, sales in the second quarter of 2009 were strongest in the Midwest and in Texas, and the weakest performance was in California and the Southeast. By family of business, sales in the second quarter of 2009 were strongest in moderate apparel, housewares and cosmetics. Sales of the Company's private label and exclusive brands were also strong in the second quarter of 2009. The weaker businesses during the quarter included furniture, mattresses and handbags. The Company calculates comparable store sales as sales from stores in operation throughout 2008 and 2009 and all Internet sales. Stores undergoing remodeling, expansion or relocation remain in the comparable store sales calculation unless the store is closed for a significant period of time. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was \$3,021 million or 58.5% of net sales for the second quarter of 2009, compared to \$3,346 million or 58.5% of net sales for the second quarter of 2008, a decrease of \$325 million. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were \$1,861 million or 36.0% of net sales for the second quarter of 2009, compared to \$2,037 million or 35.6% of net sales for the second quarter of 2008, a decrease of \$176 million. The SG&A rate as a percent to sales was higher in the second quarter of 2009, compared to the second quarter of 2008, because of weaker sales. SG&A expenses in the second quarter of 2009 benefited from consolidation-related expense savings, a shift in advertising expense into the fourth quarter, lower workers' compensation and general liability costs and lower selling costs as a result of lower sales, partially offset by higher stock-based compensation expense, higher medical costs and lower credit income.

Division consolidation costs associated with the My Macy's initiative were \$34 million for the second quarter of 2009, compared to \$26 million for the second quarter of 2008, and consisted primarily of severance and other human resource-related costs.

MACY'S, INC.

Asset impairment charges for the second quarter of 2008 amounted to \$50 million and related to indefinite lived private brand tradenames acquired in the May acquisition.

Net interest expense was \$139 million for the second quarter of 2009 compared to \$138 million for the second quarter of 2008, an increase of \$1 million.

The Company's effective income tax rate of 93.6% for the second quarter of 2009 and 39.3% for the second quarter of 2008 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes, including the settlement of various tax issues and tax examinations. On a quarterly basis, federal, state and local income taxes can vary significantly due to adjustments to reflect the Company's current estimate of the effective tax rate for the fiscal year, which is currently estimated at approximately 45.0% for fiscal 2009, prior to giving effect to any tax settlements. Giving effect to tax settlements anticipated to occur during the remainder of fiscal 2009, the Company's current estimate of the effective tax rate for fiscal 2009 is approximately 32.0%.

Comparison of the 26 Weeks Ended August 1, 2009 and August 2, 2008

The net loss for 2009 was \$81 million, compared to net income of \$14 million for 2008. The net loss for 2009 reflects lower net sales and includes the impact of \$172 million of division consolidation costs. Net income for 2008 included the impact of \$113 million of division consolidation costs and \$50 million of asset impairment charges.

Net sales for 2009 totaled \$10,363 million, compared to net sales of \$11,465 million for 2008, a decrease of \$1,102 million or 9.6%. On a comparable store basis, net sales for 2009 were down 9.3% compared to 2008. Sales from the Company's Internet businesses in 2009 increased 12.7% compared to 2008 and positively affected the Company's 2009 comparable store sales by 0.5%. Geographically, sales in 2009 were strongest in the Midwest and in Texas, and the weakest performance was in California and the Southeast. By family of business, sales in 2009 were strongest in moderate apparel, dresses, women's suits, cosmetics, young men's, and housewares. Sales of the Company's private label and exclusive brands were also strong in 2009. The weaker businesses in 2009 included furniture, mattresses and handbags. The Company calculates comparable store sales as sales from stores in operation throughout 2008 and 2009 and all Internet sales. Stores undergoing remodeling, expansion or relocation remain in the comparable store sales calculation unless the store is closed for a significant period of time. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was \$6,240 million or 60.2% of net sales for 2009, compared to \$6,873 million or 60.0% of net sales for 2008, a decrease of \$633 million. The cost of sales rate for 2009 reflects higher net markdowns as a percent of net sales intended to keep inventories current. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were \$3,817 million or 36.8% of net sales for 2009, compared to \$4,140 million or 36.1% of net sales for 2008, a decrease of \$323 million. The SG&A rate as a percent to sales was higher in 2009, compared to 2008, primarily because of weaker sales. SG&A expenses in 2009 benefited from consolidation-related expense savings, a shift in advertising expense into the fourth quarter, lower workers' compensation and general liability costs and lower selling costs as a result of lower sales, partially offset by higher stock-based compensation expense, higher medical costs and lower credit income.

Division consolidation costs associated with the My Macy's initiative were \$172 million for 2009, compared to \$113 million for 2008, and consisted primarily of severance and other human resource-related costs.

MACY'S, INC.

Asset impairment charges for 2008 amounted to \$50 million and related to indefinite lived private brand tradenames acquired in the May acquisition.

Net interest expense was \$280 million for 2009 compared to \$274 million for 2008, an increase of \$6 million. The increase in net interest expense for 2009, as compared to 2008, resulted primarily from a decrease in interest income due to lower rates on invested cash.

The Company's effective income tax rate of 45.0% for 2009 and 3.7% for 2008 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes, including the settlement of various tax issues and tax examinations.

Liquidity and Capital Resources

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

Net cash provided by operating activities in 2009 was \$436 million, compared to net cash provided by operating activities of \$592 million in 2008. The decrease in cash flow from operating activities reflects the net loss in 2009 and net income in 2008 and a larger decrease in accounts payable and accrued liabilities not separately identified, partially offset by lower income taxes paid in 2009, compared to 2008.

Net cash used by investing activities was \$182 million for 2009, compared to net cash used by investing activities of \$312 million for 2008. Investing activities for 2009 include purchases of property and equipment totaling \$150 million and capitalized software of \$41 million, compared to purchases of property and equipment totaling \$284 million and capitalized software of \$63 million for 2008. During the first quarter of 2009, the Company opened one new Macy's department store, and in August 2009, the Company opened two new Macy's department stores and re-opened a Macy's department store that had been damaged in 2008 by Hurricane Ike. During 2008, the Company opened two new Macy's department stores. Cash flows from investing activities included \$9 million and \$22 million from the disposition of property and equipment for 2009 and 2008, respectively.

Net cash used by financing activities was \$1,045 million for 2009, including the repayment of \$958 million of debt, a decrease in outstanding checks of \$44 million and the payment of \$42 million of cash dividends. During 2009, the Company repurchased no shares of its common stock under its share repurchase program and anticipates no share repurchases under its share repurchase program for the remainder of fiscal 2009. Net cash provided by the Company from financing activities was \$430 million for 2008, including debt issued of \$650 million and the issuance of \$6 million of common stock, primarily related to the exercise of stock options, partially offset by the repayment of \$9 million of debt, cash dividends paid of \$110 million and a decrease in outstanding checks of \$101 million. The debt issued during 2008 was \$650 million of 7.875% senior notes due 2015.

MACY'S, INC.

On February 10, 2009, the Company, through its wholly owned subsidiary, Macy's Retail Holdings, Inc., completed a cash tender offer pursuant to which it purchased approximately \$199 million of its outstanding 6.30% senior notes due April 1, 2009 (resulting in approximately \$151 million of such notes remaining outstanding until they were paid at maturity on April 1, 2009) and approximately \$481 million of its outstanding 4.80% senior notes due July 15, 2009 (resulting in approximately \$119 million of such notes remaining outstanding until they were paid at maturity on July 15, 2009) for aggregate consideration, including accrued and unpaid interest, of approximately \$686 million. By using cash on hand to repurchase and retire this debt early, the Company has reduced its interest expense in 2009 by approximately \$7 million, net of expenses associated with the debt tender offer. As of the date of this report, the Company intends to fund current debt maturities with cash on hand and funds from operations, but would also have the ability to fund these debt maturities with borrowings under its credit agreement.

The Company is a party to a credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed \$2,000 million (which may be increased to \$2,500 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing) outstanding at any particular time. This agreement is set to expire August 30, 2012. As of and during the 26 weeks ended August 1, 2009, the Company had no borrowings outstanding under this agreement.

The credit agreement requires the Company to maintain a specified interest coverage ratio for the latest four quarters of no less than 3.00 (3.25 after October 2010) and a specified leverage ratio as of and for the latest four quarters of no more than 4.90 (4.75 after October 2009 through October 2010 and then 4.50 thereafter). The Company's leverage ratio at August 1, 2009 was 3.38 and its interest coverage ratio for the latest four quarters as of August 1, 2009 was 4.17.

The rate of interest payable in respect of \$650 million in aggregate principal amount of the Company's senior notes outstanding at August 1, 2009 was increased by 1 percent per annum effective in April 2009 as a result of a downgrade of the notes by specified rating agencies. The rate of interest payable in respect of these senior notes outstanding at August 1, 2009 could increase or decrease by up to 1 percent per annum from its current level in the event of one or more downgrades or upgrades of the notes by specified rating agencies.

On August 21, 2009, the Company's board of directors declared a regular quarterly dividend of 5 cents per share on its common stock, payable October 1, 2009, to shareholders of record at the close of business on September 15, 2009.

Management believes that, with respect to the Company's current operations, cash on hand and funds from operations, together with its credit facility and other capital resources, will be sufficient to cover the Company's reasonably foreseeable working capital, capital expenditure and debt service requirements and other cash requirements in both the near term and over the longer term. The Company's ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain sufficient levels of liquidity. 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.

MACY'S, INC.

Management believes the department store business and other retail businesses will continue to consolidate. The Company intends from time to time to consider additional acquisitions of, and investments in, department stores and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed from one or more of the following sources: cash on hand, cash from operations, borrowings under existing or new credit facilities and the issuance of long-term debt or other securities, including common stock.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of August 1, 2009, with the participation of the Company's management, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

MACY’S, INC.

Item 1. Legal Proceedings.

On January 11, 2006, Edward Decristofaro, an alleged former May stockholder, filed a purported class action lawsuit in the Circuit Court of St. Louis, Missouri on behalf of all former May stockholders against May and the former members of the board of directors of May. The complaint generally alleged that the directors of May breached their fiduciary duties of loyalty, due care, good faith and candor to May stockholders in connection with the Merger. The plaintiffs sought rescission of the Merger or an unspecified amount of rescissory damages and costs including attorneys’ fees and experts’ fees. In July 2007, the court denied the defendants’ motion to dismiss the lawsuit. On November 14, 2007, the plaintiff filed a motion for class certification, which the court denied on June 30, 2009. On July 20, 2009, the parties stipulated to a dismissal of the lawsuit with prejudice.

On October 3, 2007, Ebrahim Shanehchian, an alleged participant in the Macy’s, Inc. Profit Sharing 401(k) Investment Plan (the “401(k) Plan”), filed a purported class action lawsuit in the United States District Court for the Southern District of Ohio on behalf of persons who participated in the 401(k) Plan and The May Department Stores Company Profit Sharing Plan (the “May Plan”) between February 27, 2005 and the present. The complaint charges the Company, as well as members of the Company’s board of directors and certain members of senior management, with breach of fiduciary duties owed under the Employee Retirement Income Security Act (“ERISA”) to participants in the 401(k) Plan and the May Plan, alleging that the defendants made false and misleading statements regarding the Company’s business, operations and prospects in relation to the integration of the acquired May operations, resulting in supposed “artificial inflation” of the Company’s stock price between August 30, 2005 and May 15, 2007. The plaintiff seeks an unspecified amount of compensatory damages and costs. The Company believes the lawsuit is without merit and intends to contest it vigorously.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2009 as filed with the SEC.

MACY'S, INC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information regarding the Company's purchases of common stock during the second quarter of 2009:

	<u>Total Number of Shares Purchased</u> (thousands)	<u>Average Price per Share (\$)</u>	<u>Total Number of Shares Purchased Under Program (1)</u> (thousands)	<u>Open Authorization Remaining (1) (\$)</u> (millions)
May 3, 2009 - May 30, 2009	1	8.00	—	852
May 31, 2009 - July 4, 2009	1	12.88	—	852
July 5, 2009 - August 1, 2009	<u>72</u>	<u>10.69</u>	<u>—</u>	852
Total	<u>74</u>	<u>10.67</u>	<u>—</u>	

- (1) The Company's board of directors initially approved a \$500 million authorization to purchase common stock on January 27, 2000 and approved additional \$500 million authorizations on each of August 25, 2000, May 18, 2001 and April 16, 2003, additional \$750 million authorizations on each of February 27, 2004 and July 20, 2004, an additional authorization of \$2,000 million on August 25, 2006 and an additional authorization of \$4,000 million on February 26, 2007. All authorizations are cumulative and do not have an expiration date.

Item 5. Other Information

Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the SEC contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words “may,” “will,” “could,” “should,” “believe,” “expect,” “future,” “potential,” “anticipate,” “intend,” “plan,” “think,” “estimate” or “continue” or the negative or other variations thereof, and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including:

- risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;
- competitive pressures from department and specialty stores, general merchandise stores, manufacturers’ outlets, off-price and discount stores, and all other retail channels, including the Internet, mail-order catalogs and television;
- general consumer-spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of the weather or natural disasters;
- conditions to, or changes in the timing of, proposed transactions and changes in expected synergies, cost savings and non-recurring charges;
- possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions;
- actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials;
- adverse changes in relationships with vendors and other product and service providers;
- risks related to currency and exchange rates and other capital market, economic and geopolitical conditions;
- risks associated with severe weather and changes in weather patterns;
- risks associated with an outbreak of an epidemic or pandemic disease;
- the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities;

(continued)

MACY’S, INC.

- risks associated with the possible inability of the Company’s manufacturers to deliver products in a timely manner or meet quality standards;
- risks associated with the Company’s reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes;
- risks related to duties, taxes, and other charges and quotas on imports; and
- system failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to the Company in the event of such a breach.

In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as “Risk Factors” and “Special Considerations” in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

MACY'S, INC.

Item 6. Exhibits

- 10.1+ Amendment and Restatement Agreement dated as of December 18, 2008, among Macy's, Inc. (the "Company"), Macy's Retail Holdings, Inc. ("Macy's Retail"), the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent and paying agent, and Bank of America, N.A., as administrative agent, which includes as an exhibit the Amended and Restated Credit Agreement dated as of January 5, 2009, among the Company, Macy's Retail, the lenders from time to time parties thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as administrative agents, JPMorgan Chase Bank, N.A., as paying agent, and J. P. Morgan Securities Inc. and Banc of America Securities LLC, as joint bookrunners and joint lead arrangers.
- 10.2 Amended and Restated Guarantee Agreement, dated as of January 5, 2009, among the Company, Macy's Retail, certain subsidiary guarantors and JPMorgan Chase Bank, N.A., as paying agent.
- 10.3+ Purchase, Sale and Servicing Transfer Agreement, effective as of June 1, 2005, among the Company, FDS Bank, Prime II Receivables Corporation ("Prime II") and Citibank, N.A. ("Citibank").
- 10.4+ Second Amendment to Purchase, Sale and Servicing Transfer Agreement, dated October 24, 2005, between the Company and Citibank.
- 10.5+ Fourth Amendment to Purchase, Sale and Servicing Transfer Agreement, dated May 22, 2006, between the Company and Citibank.
- 10.6+ Credit Card Program Agreement, effective as of June 1, 2005, among the Company, FDS Bank, Macy's Credit and Customer Services, Inc. ("MCCS") and Citibank.
- 10.7+ First Amendment to Credit Card Program Agreement, dated October 24, 2005, between the Company and Citibank.
- 10.8+ Second Amendment to Credit Card Program Agreement, dated May 19, 2006, among the Company, FDS Bank, MCCS, Macy's West Stores, Inc. (formerly known as Macy's Department Stores, Inc.) ("MWSI"), Bloomingdale's, Inc. ("Bloomingdale's") and Department Stores National Bank ("DSNB") and Citibank.
- 10.9+ Fourth Amendment to Credit Card Program Agreement, effective as of August 1, 2008, among the Company, FDS Bank, MCCS, MWSI, Bloomingdale's and DSNB.
- 10.10+ Fifth Amendment to Credit Card Program Agreement, effective as of January 1, 2009, among the Company, FDS Bank, MCCS, MWSI, Bloomingdale's and DSNB.
- 10.11+ Sixth Amendment to Credit Card Program Agreement, effective as of June 1, 2009, among the Company FDS Bank, MCCS, MWSI, Bloomingdale's and DSNB.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

(continued)

MACY'S, INC.

32.1 Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act.

32.2 Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.

101* The following financial statements from Macy's, Inc.'s Quarterly Report on Form 10-Q for the quarter ended August 1, 2009, filed on September 8, 2009, formatted in XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

+ Portions of the Exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been filed with the SEC.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

MACY'S, INC.

SIGNATURES

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

Dated: September 8, 2009

MACY'S, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Executive Vice President, General Counsel
and Secretary

By: /s/ Joel A. Belsky

Name: Joel A. Belsky

Title: Executive Vice President and Controller
(Principal Accounting Officer)

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

AMENDMENT AND RESTATEMENT AGREEMENT dated as of December 18, 2008, among MACY’S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC., “Parent”), MACY’S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC., the “Borrower”), the LENDERS party hereto, JPMORGAN CHASE BANK, N.A. and BANK OF AMERICA, N.A. as Administrative Agents (the “Administrative Agents”) and JPMORGAN CHASE BANK, N.A., as Paying Agent (the “Paying Agent”), under the Amended and Restated Credit Agreement dated as of August 30, 2007, as amended (as in effect on the date hereof, the “Existing Credit Agreement”), among the Parent, the Borrower, the lenders party thereto, the Administrative Agents and the Paying Agent.

WHEREAS Parent and the Borrower have requested, and the undersigned Lenders and the Administrative Agents have agreed, upon the terms and subject to the conditions set forth herein, that the Existing Credit Agreement be amended and restated as provided herein.

NOW, THEREFORE, Parent, the Borrower, the undersigned Lenders and the Administrative Agents hereby agree as follows:

SECTION 1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Restated Credit Agreement (as defined in Section 3 below); provided that the defined term “Lender” as used herein shall have the meaning specified in the Existing Credit Agreement.

SECTION 2. Restatement Effective Date. (a) The amendment and restatement of the Existing Credit Agreement provided for in Section 3 hereof shall be consummated at a closing to be held on the Restatement Effective Date at the offices of Cravath, Swaine & Moore LLP.

(b) The “Restatement Effective Date” shall be January 5, 2009, provided that all the conditions set forth or referred to in Section 5 hereof shall have been satisfied.

SECTION 3. Amendment and Restatement of the Existing Credit Agreement. (a) Effective on the Restatement Effective Date, the Existing Credit Agreement is hereby amended and restated to read in its entirety as set forth in Exhibit A hereto (the "Restated Credit Agreement"). From and after the effectiveness of such amendment and restatement, the terms "Agreement", "this Agreement", "herein", "hereinafter", "hereto", "hereof" and words of similar import, as used in the Restated Credit Agreement, shall, unless the context otherwise requires, refer to the Restated Credit Agreement, and the term "Credit Agreement", as used in the other Loan Documents, shall mean the Restated Credit Agreement.

(b) All "Commitments" as defined in, and in effect under, the Existing Credit Agreement on the Restatement Effective Date shall continue in effect under the Restated Credit Agreement, and all "Loans" and "Letters of Credit" as defined in, and outstanding under, the Existing Credit Agreement on the Restatement Effective Date shall continue to be outstanding under the Restated Credit Agreement, and on and after the Restatement Effective Date the terms of the Restated Credit Agreement will govern the rights and obligations of Parent, the Borrower, the Lenders, the Administrative Agents and the Paying Agent with respect thereto.

(c) The amendment and restatement of the Existing Credit Agreement as contemplated hereby shall not be construed to discharge or otherwise affect any obligations of Parent or the Borrower accrued or otherwise owing under the Existing Credit Agreement that have not been paid, it being understood that such obligations will constitute obligations under the Restated Credit Agreement.

SECTION 4. Amendment Fee. The Borrower agrees to pay to the Paying Agent, for the account of each Lender that executes and delivers a counterpart of this Agreement (as provided in Section 5(a) below) prior to 12:00 noon, New York City time, on December 18, 2008 (or such later time or date as the Administrative Agents and the Borrower may agree), a fee equal to 0.375% of the amount of its Commitment as of the Restatement Effective Date. Such fee shall be due and payable on the Restatement Effective Date.

SECTION 5. Conditions. The effectiveness of the amendment and restatement of the Existing Credit Agreement pursuant to Section 3 of this Agreement shall be subject to the satisfaction (or waiver) of the following conditions precedent:

(a) The Paying Agent (or its counsel) shall have received from each of Parent, the Borrower and the Required Lenders under (and as defined in) the Existing Credit Agreement either a counterpart of this Agreement signed on behalf of such party or written evidence satisfactory to the Paying Agent (which may include facsimile or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Paying Agent (or its counsel) shall have received from Parent, the Borrower and each Subsidiary Loan Party as of the Restatement Effective Date, either a counterpart of the Guarantee Agreement (in the form attached hereto as Exhibit B) signed on behalf of such party or written evidence satisfactory to the Paying Agent (which may include facsimile or other electronic transmission of a signed signature page of the Guarantee Agreement) that such party has signed a counterpart of the Guarantee Agreement.

(c) The Paying Agent shall have received a favorable written opinion (addressed to the Paying Agent and the Lenders and dated as of the Restatement Effective Date) of (i) Jones Day, counsel to the Loan Parties and (ii) Dennis J. Broderick, the General Counsel for Parent, substantially in the forms of Exhibits C-1 and C-2, respectively, in each case covering such matters relating to the Loan Parties, the Transactions or the Loan Documents as the Required Lenders shall reasonably request. Parent and the Borrower hereby request such counsel to deliver such opinions.

(d) The Paying Agent shall have received such documents and certificates as the Paying Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties and the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Transactions or the Loan Documents, all in form and substance satisfactory to the Paying Agent and its counsel, including all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

(e) The representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct in all material respects as of the Restatement Effective Date (except for the representations and warranties set forth in the Restated Credit Agreement in Section 3.04(b) and clause (a) of Section 3.05, which shall be true and correct in all material respects as of the date hereof), no Default shall have occurred and be continuing as of the Restatement Effective Date and the Paying Agent shall have received a certificate, dated the Restatement Effective Date and signed by a Responsible Officer or a Financial Officer of Parent and the Borrower, confirming the foregoing.

(f) The Paying Agent shall have received all fees and other amounts due and payable on or prior to the Restatement Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Loan Documents.

The Administrative Agents shall notify the Borrower and the Lenders of the Restatement Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the amendment and restatement of the Existing Credit Agreement as contemplated hereby shall not become effective unless each of the foregoing conditions is satisfied or waived prior to 5:00 p.m., New York City time, on January 5, 2009 (and, in the event such conditions are not so satisfied or waived, the Existing Credit Agreement shall remain in effect without giving effect to any provisions of this Agreement).

SECTION 6. Subsidiary Loan Parties. Parent and the Borrower represent that Schedule A hereto completely and accurately sets forth the names and jurisdictions of organization of each Subsidiary Loan Party as of the Restatement Effective Date.

SECTION 7. Effectiveness; Counterparts; Amendments. This Agreement shall become effective and binding when counterparts hereof which, when taken together, bear the signatures of Parent, the Borrower, the Administrative Agents and the Required Lenders shall have been received by the Paying Agent in the manner contemplated by Section 5(a). This Agreement may not be amended nor may any provision hereof be waived except pursuant to a writing signed by Parent, the Borrower, the Administrative Agents and the Required Lenders. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8. No Novation. This Agreement shall not extinguish the Loans or other obligations outstanding under the Existing Credit Agreement. This Agreement shall be a Loan Document for all purposes.

SECTION 9. Notices. All notices hereunder shall be given in accordance with the provisions of Section 9.01 of the Restated Credit Agreement.

SECTION 10. Applicable Law; Waiver of Jury Trial. **(A) THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.**

(B) EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTION 9.10 OF THE RESTATED CREDIT AGREEMENT AS IF SUCH SECTION WERE SET FORTH IN FULL HEREIN.

SECTION 11. Headings. The Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

[Remainder of page intentionally left blank]

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

MACY'S, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Executive Vice President and Chief
Financial Officer

MACY'S RETAIL HOLDINGS, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet
Title: Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually and
as Administrative Agent and Paying Agent

By: /s/ Barry Bergman

Name: Barry Bergman
Title: Managing Director

BANK OF AMERICA, N.A., individually and as
Administrative Agent

By: /s/ Thomas J. Kane

Name: Thomas J. Kane
Title: SVP

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

The Bank of New York Mellon
[Name of Lender]

By: /s/ David B. Wirl
Name: David B. Wirl
Title: Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

BNP Paribas
[Name of Lender]

By: /s/ Andrew Strait
Name: Andrew Strait
Title : Managing Director

By: /s/ Chloe Palfer Sollier
Name: Chloe Palfer-Sollier
Title: Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

Citibank N.A.
[Name of Lender]

By: /s/ John McQuiston
Name: John McQuiston
Title: Vice President & Director

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

CREDIT SUISSE, Cayman Islands Branch
[Name of Lender]

By: /s/ Doreen Barr

Name: Doreen Barr

Title: Vice President

By: /s/ Christopher Reo Day

Name: Christopher Reo Day

Title: Associate

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

Fifth Third Bank.
[Name of Lender]

By: /s/ Megan S. Heisel
Name: Megan S. Heisel
Title: Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

First Hawaiian Bank
[Name of Lender]

By: /s/ Dawn Hofmann
Name: Dawn Hoffman
Title: Vice President & Director

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

PNC Bank, National Association
[Name of Lender]

By: /s/ C. Joseph Richardson
Name: C. Joseph Richardson
Title: Senior Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

The Royal Bank of Scotland, plc
[Name of Lender]

By: /s/ Charlotte Sohn Fuiks
Name: Charlotte Sohn Fuiks
Title: Managing Director

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

STANDARD CHARTERED BANK.
[Name of Lender]

By: /s/ Alan Babcock
Name: Alan Babcock
Title: Senior Vice President

By: /s/ Robert K. Reddington
Name: Robert K. Reddington
Title: AVP/Credit Documentation
Credit Risk Control
Standard Chartered Bank N.Y.

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

Union Bank of California
[Name of Lender]

By: /s/ Ching Lim
Name: Ching Lim
Title:

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

US Bank, N.A.
[Name of Lender]

By: /s/ Frances W. Josephic
Name: Frances W. Josephic
Title: Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

Wachovia Bank, National Association
[Name of Lender]

By: /s/ Susan T. Gallagher
Name: Susan T. Gallagher
Title: Director

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

Wells Fargo Bank N.A.
[Name of Lender]

By: /s/ Steven Buehler

Name: Steven Buehler

Title: Senior Vice President

Signature page to the Amendment and Restatement Agreement
dated as of December 18, 2008 relating to the
Amended and Restated Credit Agreement dated as of August 30, 2007, of
Macy's, Inc. and
Macy's Retail Holdings, Inc.

William Street Commitment Corporation
(Recourse only to the assets of William Street
Commitment Corporation)
[Name of Lender]

By: /s/ Mark Walton

Name: Mark Walton

Title: Assistant Vice President

SCHEDULES

Schedules

Schedule A	Subsidiary Loan Parties
------------	-------------------------

EXHIBITS

Exhibits

Exhibit A	Amended and Restated Credit Agreement
Exhibit B	Amended and Restated Guarantee Agreement
Exhibit C-1	Opinion of Jones Day
Exhibit C-2	Opinion of General Counsel

Schedule A

Subsidiary Loan Parties

1. 22 East Advertising Agency, Inc., a Florida corporation
2. 22 East Reality Corporation, a Florida corporation
3. Bloomingdale's Atlantic City, Inc., a Delaware corporation
4. Bloomingdale's By Mail Ltd., a New York corporation
5. Bloomingdale's Gift Card, LLC, an Ohio limited liability company
6. Bloomingdale's, Inc., an Ohio corporation
7. Bloomingdale's, LLC, an Ohio limited liability company
8. Central Regional Claims Corporation, a Texas corporation
9. Charleston Stores Corporation, an Indiana corporation
10. Dayton's Iron Horse Liquors, Inc., a Minnesota corporation
11. Jordan Servicenter, Inc., a Delaware corporation
12. Kaufmann's Carousel, Inc., a Delaware corporation
13. Laurel Plaza Development I, Inc., a Delaware corporation
14. Macy's California Realty, LLC, a Delaware limited liability company
15. Macy's Central, LLC, an Ohio limited liability company
16. Macy's Corporate Services, Inc., a Delaware corporation
17. Macy's Credit and Customer Services, Inc., an Ohio corporation
18. Macy's Department Stores, Inc., an Ohio corporation
19. Macy's East, LLC, an Ohio limited liability company
20. Macy's Florida Stores, LLC, an Ohio limited liability company
21. Macy's Florida, LLC, an Ohio limited liability company
22. Macy's GC Sales, Inc., and Ohio corporation
23. Macy's Gift Card, LLC, an Ohio limited liability company
24. Macy's Hamilton By Appointment, Inc., a Delaware corporation
25. Macy's Home Store, LLC, an Ohio limited liability company
26. Macy's Insurance, Inc., an Ohio corporation
27. Macy's Merchandising Group International, LLC, a Delaware limited liability company
28. Macy's Systems and Technology, Inc., a Delaware corporation
29. Macy's Systems Leasing, Inc., a Delaware corporation
30. Macy's Texas, Inc., a Delaware corporation
31. Macy's West, LLC, an Ohio limited liability company
32. Macys.com, Inc., a New York corporation
33. Marshall Field's Chicago, Inc., a Delaware corporation
34. May Company Montgomery Condominium LLC, a Maryland limited liability company
35. May Credit Corporation, a Delaware corporation
36. May Properties of Maryland, Inc., a Delaware corporation
37. May Stores IV, Inc., a Delaware corporation
38. May Stores VIII, Inc., a Delaware corporation
39. Mayfair Wine & Liquor Shop, Inc., a Wisconsin corporation
40. McIre One, Inc., a Delaware corporation

-
41. MF Distribution Center of Illinois LLC, a Delaware limited liability company
 42. MF Fargo-Grand Forks-Bismarck Stores LLC, a Delaware limited liability company
 43. MF Grape-Coldwater Stores LLC, a Delaware limited liability company
 44. Minooka Exchange, LLC, an Ohio limited liability company
 45. MOA Rest, Inc., a Minnesota corporation
 46. Nimbus Store LLC, a Delaware limited liability company
 47. Nutmeg Acquisition Corporation, a Connecticut corporation
 48. OBP, LLC, a Tennessee limited liability company
 49. R.H. Macy Holdings (HK), Ltd., a Delaware corporation
 50. R.H. Macy Warehouse (HK), Ltd., a Delaware corporation
 51. Rooftop, Inc., a Minnesota corporation
 52. Silver Spring Condo Corporation, a Delaware corporation
 53. Southdale Stores LLC, a Delaware limited liability company
 54. SWDC Investment Company, a Connecticut corporation
 55. Walden Stores Corporation, an Indiana corporation

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

August 30, 2007

As Amended and Restated as of January 5, 2009,

among

MACY'S, INC.

(formerly known as FEDERATED DEPARTMENT STORES, INC.)

MACY'S RETAIL HOLDINGS, INC.

(formerly known as FEDERATED RETAIL HOLDINGS, INC.)

The Lenders Party Hereto

JPMORGAN CHASE BANK, N.A.

and

BANK OF AMERICA, N.A.,
as Administrative Agents

and

JPMORGAN CHASE BANK, N.A.,
as Paying Agent

J.P. MORGAN SECURITIES INC.

and

BANC OF AMERICA SECURITIES LLC,
as Joint Bookrunners and Joint Lead Arrangers

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
Definitions	
SECTION 1.01. Defined Terms	1
SECTION 1.02. Classification of Loans and Borrowings	20
SECTION 1.03. Terms Generally	20
SECTION 1.04. Accounting Terms; GAAP	20
SECTION 1.05. Amendment and Restatement	20
ARTICLE II	
The Credits	
SECTION 2.01. Commitments	21
SECTION 2.02. Loans and Borrowings	21
SECTION 2.03. Requests for Revolving Borrowings	22
SECTION 2.04. Competitive Bid Procedure	23
SECTION 2.05. Swingline Loans	25
SECTION 2.06. Letters of Credit	26
SECTION 2.07. Funding of Borrowings	33
SECTION 2.08. Interest Elections	33
SECTION 2.09. Termination and Reduction of Commitments	34
SECTION 2.10. Repayment of Loans; Evidence of Debt	35
SECTION 2.11. Prepayment of Loans	36
SECTION 2.12. Fees	37
SECTION 2.13. Interest	38
SECTION 2.14. Alternate Rate of Interest	39
SECTION 2.15. Increased Costs	39
SECTION 2.16. Break Funding Payments	40
SECTION 2.17. Taxes	41
SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs	42
SECTION 2.19. Mitigation Obligations; Replacement of Lenders	44
SECTION 2.20. Increase in Commitments	45
SECTION 2.21. Currency Fluctuations	46
SECTION 2.22. Extension of Maturity Date	46
SECTION 2.23. Defaulting Lenders	47

ARTICLE III

Representations and Warranties

SECTION 3.01.	Organization	48
SECTION 3.02.	Powers; Authorization; No Conflicts; Enforceability	48
SECTION 3.03.	Approvals	48
SECTION 3.04.	Financial Condition; No Material Adverse Change	48
SECTION 3.05.	Litigation	49
SECTION 3.06.	Investment Company Status	49
SECTION 3.07.	ERISA	49
SECTION 3.08.	Bloomington's Lease	49

ARTICLE IV

Conditions

SECTION 4.01.	Effective Date	50
SECTION 4.02.	Each Credit Event	50

ARTICLE V

Affirmative Covenants

SECTION 5.01.	Financial Statements; Ratings Change and Other Information	50
SECTION 5.02.	Existence	52
SECTION 5.03.	Payment of Obligations	53
SECTION 5.04.	Maintenance of Properties; Insurance	53
SECTION 5.05.	Books and Records; Inspection Rights	53
SECTION 5.06.	Compliance with Laws	53
SECTION 5.07.	Use of Proceeds and Letters of Credit	53
SECTION 5.08.	Additional Subsidiaries; Reinstatement of Guarantees	54
SECTION 5.09.	Corporate Existence; Inventory Recordkeeping	54

ARTICLE VI

Negative Covenants

SECTION 6.01.	Subsidiary Indebtedness	55
SECTION 6.02.	Liens	56
SECTION 6.03.	Fundamental Changes; Conduct of Business	57
SECTION 6.04.	Sale and Leaseback Transactions	58
SECTION 6.05.	Leverage Ratio	58
SECTION 6.06.	Interest Coverage Ratio	58
SECTION 6.07.	Subsidiary Loan Parties	59

SECTION 6.08.	Restricted Payments	59
SECTION 6.09.	Restricted Agreements	60
SECTION 6.10.	Bloomington's.	60

ARTICLE VII

Events of Default

ARTICLE VIII

The Agents

ARTICLE IX

Miscellaneous

SECTION 9.01.	Notices	65
SECTION 9.02.	Waivers; Amendments	66
SECTION 9.03.	Expenses; Indemnity; Damage Waiver	67
SECTION 9.04.	Successors and Assigns	69
SECTION 9.05.	Survival	72
SECTION 9.06.	Counterparts; Integration; Effectiveness	72
SECTION 9.07.	Severability	72
SECTION 9.08.	Right of Setoff	72
SECTION 9.09.	Governing Law; Jurisdiction; Consent to Service of Process	73
SECTION 9.10.	WAIVER OF JURY TRIAL	73
SECTION 9.11.	Headings	74
SECTION 9.12.	Confidentiality	74
SECTION 9.13.	Interest Rate Limitation	74
SECTION 9.14.	Patriot Act	75
SECTION 9.15.	Conversion of Currencies	75

SCHEDULES:

Schedule 2.01—	Commitments
Schedule 6.01 —	Existing Indebtedness
Schedule 6.02 —	Existing Liens
Schedule 6.09 —	Existing Restrictions

EXHIBITS:

Exhibit A —	Form of Assignment and Assumption
-------------	-----------------------------------

AMENDED AND RESTATED CREDIT AGREEMENT dated as of August 30, 2007, as amended and restated as of January 5, 2009, among MACY'S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC.), MACY'S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC.), the LENDERS party hereto, JPMORGAN CHASE BANK, N.A. and BANK OF AMERICA, N.A. as Administrative Agents and JPMORGAN CHASE BANK, N.A., as Paying Agent.

WHEREAS, pursuant to the Amendment and Restatement Agreement (such term and other capitalized terms used herein, having the meanings set forth in Section 1.01 below), Parent and the Borrower have requested, and the Required Lenders have agreed, upon the terms and subject to the conditions set forth therein, that the Existing Credit Agreement be amended and restated in its entirety as provided herein effective as provided in the Amendment and Restatement Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means the acquisition of Macy's by Federated Department Stores, Inc. (now known as Macy's, Inc.) pursuant to the Merger Agreement, which resulted in the Borrower becoming a direct, wholly owned subsidiary of Parent.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means each of JPMorgan Chase Bank, N.A. and Bank of America, N.A., each in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Paying Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means the Paying Agent and each Administrative Agent.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate on such day plus 1/2 of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that, for the avoidance of doubt, for purposes of calculating the Alternate Base Rate, the Adjusted LIBO Rate for any day shall be based on the Reuters BBA Libor Rates page 3750 (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“Alternate Currency” means any currency other than dollars as to which a Spot Exchange Rate may be calculated.

“Alternate Currency Letter of Credit” means any Letter of Credit which provides for the payment of drawings in an Alternate Currency.

“Amendment and Restatement Agreement” means the Amendment and Restatement Agreement dated as of December 18, 2008, among Parent, the Borrower, the Lenders party thereto, the Administrative Agents and the Paying Agent.

“Applicable Percentage” means, with respect to any Lender, the percentage of the Total Commitments represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“Applicable Rate” means, for any day, with respect to any Eurodollar Revolving Loan or ABR Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “Eurodollar Spread”, “ABR Spread” or “Commitment Fee Rate”, as the case may be, based upon the Public Debt Ratings in effect on such date:

<u>Public Debt Ratings</u>	<u>Eurodollar Spread</u>	<u>ABR Spread</u>	<u>Commitment Fee Rate</u>
<u>Level 1</u>			
Greater than or equal to Baa2 and BBB	2.75%	2.25%	0.50%
<u>Level 2</u>			
Baa3 and BBB-	3.00%	2.50%	0.50%
<u>Level 3</u>			
Split rated between Level 2 and Level 4	3.50%	3.00%	0.50%
<u>Level 4</u>			
Less than or equal to Ba1 and BB+	4.00%	3.50%	0.625%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a Public Debt Rating (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Level 4; (ii) if the Public Debt Ratings established or deemed to have been established by Moody's and S&P shall fall within different Levels then, except as contemplated by Level 3, the Applicable Rate shall be based on the lower of the two Public Debt Ratings unless one of the two Levels is two or more Levels lower than the other, in which case the Applicable Rate shall be determined by reference to the Level next below that of the higher of the two Public Debt Ratings; and (iii) if the Public Debt Ratings established or deemed to have been established by Moody's and S&P shall be changed (other than as a result of a change in the ratings system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished pursuant to Section 5.01 or otherwise. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Paying Agent, in the form of Exhibit A or any other form approved by the Paying Agent.

"Augmenting Lender" has the meaning set forth in Section 2.20(a).

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Bloomingdale's" means Bloomingdale's, Inc., an Ohio corporation, together with its successors and assigns.

"Bloomingdale's Lease" means the Amended and Restated Lease, dated as of February 1, 1998, between B. Bros. Realty Limited Partnership and Bloomingdale's, as amended, waived or otherwise modified from time to time.

"Bloomingdale's Parties" means Bloomingdale's and any of its subsidiaries that are Subsidiary Loan Parties.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means Macy’s Retail Holdings, Inc. (formerly known as Federated Retail Holdings, Inc.), a New York corporation.

“Borrowing” means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

“Borrowing Request” means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, (a) when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market and (b) when used in connection with an Alternate Currency Letter of Credit, the term “Business Day” shall also exclude any day on which commercial banks in the principal financial center (as determined by the Paying Agent) of such Alternate Currency are authorized or required by law to remain closed.

“Calculation Date” means the last Business Day of March, June, September and December of each year.

“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Change in Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Parent; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of Parent by Persons who were neither (i) nominated by the board of directors of Parent nor (ii) appointed by directors so nominated; or (c) after the Effective Date the Borrower ceases to be a direct, wholly owned subsidiary of Parent.

“Change in Law” means (a) the adoption of any law, rule or regulation after the Restatement Effective Date, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender’s or Issuing Bank’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

“Class”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans or Swingline Loans.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders’ Commitments is \$2,000,000,000.

“Commitment Increase” has the meaning set forth in Section 2.20(b).

“Competitive Bid” means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

“Competitive Bid Rate” means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

“Competitive Bid Request” means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

“Competitive Loan” means a Loan made pursuant to Section 2.04.

“Consenting Lender” has the meaning set forth in Section 2.22(b).

“Consolidated EBITDA” means, for any period, (a) the sum of (without duplication and in the case of clauses (ii)-(viii) to the extent deducted in calculating Consolidated Net Income) (i) Consolidated Net Income (or net loss), (ii) interest expense, (iii) income tax expense, (iv) depreciation expense, (v) amortization expense (including amortization of (A) excess of cost over net assets acquired, (B) reorganization value in excess of amounts allocable to identifiable assets and (C) unearned restricted stock), (vi) non-cash charges for such period arising from impairment of goodwill, impairment of intangibles or impairments/write downs of real estate or other long-term assets, (vii) extraordinary losses and (viii) non-recurring cash charges in an aggregate amount for all

periods commencing on or after the Restatement Effective Date not to exceed \$500,000,000 (and not more than 20% of which shall be inventory valuation adjustments pursuant to clause (D) below), in respect of (A) store, corporate office and support function closings, eliminations, relocations and divisional realignments, (B) employee severance costs, (C) fees, costs and expenses resulting from, or incurred in connection with, any of the foregoing, and (D) inventory valuation adjustments resulting from, or incurred in connection with, any of the foregoing, less (b) the sum of (i) non-recurring or extraordinary gains, (ii) interest income and (iii) any payments made during such period that were deducted as a non-cash charge in a previous period pursuant to clause (a)(viii) above, in each case in clauses (a) and (b) of Parent and the Subsidiaries, determined on a consolidated basis in accordance with GAAP.

“Consolidated Net Income” means, for any period, the net income or loss of Parent and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

“Consolidated Net Interest Expense” means, for any period, the amount (if any) by which (a) interest payable on all Indebtedness (including the interest component of Capitalized Lease Obligations, but excluding tender premiums) and amortization of deferred financing fees and debt discount in respect of all Indebtedness exceeds (b) interest income, in each case in clauses (a) and (b), of Parent and the Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that any write-ups or write-downs of long-term Indebtedness of May (including current portions) or its subsidiaries as a result of the Acquisition, and any related amortization expense resulting therefrom, shall be disregarded for purposes of determining Consolidated Net Interest Expense.

“Consolidated Net Tangible Assets” means, at any date of determination, (a) the aggregate amount of assets (less applicable reserves and other properly deductible items), minus (b) all current liabilities, minus (c) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, in each case in clauses (a), (b) and (c) of Parent and the Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that any write-ups or write-downs of long-term Indebtedness of May (including current portions) or its subsidiaries as a result of the Acquisition, and any related amortization expense resulting therefrom, shall be disregarded for purposes of determining Consolidated Net Tangible Assets.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Declining Lender” has the meaning set forth in Section 2.22(b).

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender, as determined by the Administrative Agents, that has (a) failed to fund any portion of its Loans or participations in Letters of Credit or Swingline Loans within three Business Days of the date required to be funded by it hereunder, (b) notified Parent, the Borrower, the Administrative Agents, an Issuing Bank, a Swingline Lender or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three Business Days after request by the Administrative Agents, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans; provided that confirmation received by the Administrative Agents beyond three Business Days shall remedy the default under this clause (c), (d) otherwise failed to pay over to the Administrative Agents or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless the subject of a good faith dispute, or (e)(i) become or is insolvent or has a parent company that has become or is insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“Disqualified Equity Interest” means, with respect to any Person, any Equity Interest in such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, either mandatorily or at the option of the holder thereof), or upon the happening of any event or condition:

a) matures or is mandatorily redeemable (other than solely for Equity Interests in such Person that do not constitute Disqualified Equity Interests and cash in lieu of fractional shares of such Equity Interests), whether pursuant to a sinking fund obligation or otherwise;

b) is convertible or exchangeable at the option of the holder thereof for Indebtedness or Equity Interests (other than solely for Equity Interests in such Person that do not constitute Disqualified Equity Interests and cash in lieu of fractional shares of such Equity Interests); or

c) is redeemable (other than solely for Equity Interests in such Person that do not constitute Disqualified Equity Interests and cash in lieu of fractional shares of such Equity Interests) or is required to be repurchased by such Person or any of its Affiliates, in whole or in part, at the option of the holder thereof.

“Documentary LC” means any letter of credit (other than a Letter of Credit) that is issued by a Person that is not an Affiliate of Parent for the benefit of a supplier of inventory to Parent or any Subsidiary to effect payment for such inventory.

“dollars” or “\$” refers to lawful money of the United States of America.

“Dollar Amount” means, with respect to any Alternate Currency Letter of Credit or LC Disbursement in respect thereof, the amount determined pursuant to Section 2.06(m).

“Dollar Equivalent” means, on any date of determination, (a) with respect to any amount in dollars, such amount, and (b) with respect to any amount in any Alternate Currency, the equivalent in dollars of such amount, determined by the Paying Agent pursuant to Section 2.21(a) using the relevant Dollar Amount.

“Effective Date” means August 30, 2007.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with Parent, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by Parent or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by Parent or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by Parent or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by Parent or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from Parent or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Eurodollar”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

“Event of Default” has the meaning assigned to such term in Article VII.

“Excluded Taxes” means, with respect to the Paying Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Lender is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender’s failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

“Existing Credit Agreement” means the Amended and Restated Credit Agreement dated as of August 30, 2007, among Parent, the Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as administrative agents and JPMorgan Chase Bank, N.A., as paying agent.

“Existing Indebtedness” has the meaning assigned to such term in Section 6.01(b).

“Existing Letter of Credit” means any letter of credit issued for the account of Parent or the Borrower and outstanding on the Effective Date under the Original Credit Agreement; provided that (a) the issuer of such letter of credit is a Lender and such Lender becomes an Issuing Bank under this Agreement pursuant to Section 2.06 and (b) Parent or the Borrower and such Lender consent to such letter of credit becoming a Letter of Credit.

“Existing Maturity Date” has the meaning set forth in Section 2.22(c).

“Extension Date” has the meaning set forth in Section 2.22(b).

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Paying Agent from three Federal funds brokers of recognized standing selected by it.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer or controller of Parent or the Borrower, as applicable.

“Fixed Rate” means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

“Fixed Rate Loan” means a Competitive Loan bearing interest at a Fixed Rate.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

“Guarantee Agreement” means the Amended and Restated Guarantee Agreement among the Guarantors, the Borrower and the Paying Agent substantially in the form of Exhibit B to the Amendment and Restatement Agreement.

“Guarantors” means, as of any date, Parent and each Subsidiary Loan Party that is a party to the Guarantee Agreement as a guarantor thereunder as of such date.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments (other than performance, surety and appeals bonds arising in the ordinary course of business), (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (other than obligations for property (excluding real property, capital stock and property subject to capital leases) and services purchased, and expense accruals and deferred compensation items arising in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor under applicable law as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Initial Loans” has the meaning set forth in Section 2.20(b).

“Interest Coverage Ratio” means, at any date of determination, the ratio of (a) Consolidated EBITDA for the Measurement Period then most recently ended to (b) Consolidated Net Interest Expense for such Measurement Period.

“Interest Election Request” means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

“Interest Payment Date” means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day

of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is seven days or one, two, three or six months thereafter, as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than seven days or more than 180 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Inventory Ratio" means, as of any date, the ratio of (a) the aggregate amount of inventory directly owned by the Subsidiary Loan Parties as of such date, in the amount that would be reflected on a balance sheet prepared as of such date in accordance with GAAP to (b) the aggregate amount of inventory owned by Parent and the Subsidiaries as of such date, in the amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with GAAP; provided that, to the extent that the amount of inventory owned directly by the Bloomingdale's Parties exceeds the maximum liability of the Bloomingdale's Parties with respect to the Obligations pursuant to the Guarantee Agreement as of the relevant date of determination, such excess shall be excluded for purposes of determining each of the amounts pursuant to clause (a) and clause (b) above.

"Issuing Bank" means, as the context may require, (a) JPMorgan Chase Bank, N.A., (b) Bank of America, N.A., and (c) any other Lender that becomes an Issuing Bank pursuant to Section 2.06(k), in each case, in its capacity as an issuer of Letters of Credit hereunder, and each such Person's successors in such capacity as provided in Section 2.06(i). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“LC Disbursement” means a payment made by an Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. In the case of any Alternate Currency Letters of Credit or any LC Disbursement in respect thereof, the LC Exposure attributable thereto shall be the Dollar Amount thereof. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“Lenders” means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “Lenders” includes each Swingline Lender.

“Letter of Credit” means each Existing Letter of Credit and any letter of credit issued pursuant to this Agreement.

“Leverage Ratio” means, at any date of determination, the ratio of (a) Total Indebtedness as of such date to (b) Consolidated EBITDA for the Measurement Period (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of Parent most recently ended prior to such date).

“LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters BBA Libor Rates Page 3750 (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Paying Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Paying Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or

title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Documents” means this Agreement, the Guarantee Agreement and the Amendment and Restatement Agreement.

“Loan Parties” means Parent, the Borrower and the Subsidiary Loan Parties.

“Loans” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“Margin” means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

“Material Adverse Effect” means an effect that causes or results in or has a reasonable likelihood of causing or resulting in any material adverse change in (a) the business, condition (financial or otherwise), operations, performance or properties of Parent and the Subsidiaries, taken as a whole, (b) the rights and remedies of any Agent or any Lender under any Loan Document, (c) the ability of the Loan Parties, taken as a whole, to perform their obligations under any Loan Document or (d) the legality, validity or enforceability of any Loan Document.

“Material Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of Parent and its Subsidiaries in an aggregate principal amount exceeding \$150,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of Parent or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Parent or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

“Material Subsidiary” means, as of any date of determination, (a) the Borrower and (b) any other Subsidiary having (i) assets with a value of not less than 5% of the total value of the assets of Parent and its consolidated subsidiaries, taken as a whole, or (ii) Consolidated EBITDA of not less than 5% of the Consolidated EBITDA of Parent and its consolidated subsidiaries, taken as a whole, in each case as of the end of or for the most recently completed fiscal year of Parent.

“Maturity Date” means the date that is five years after the Effective Date, subject to extension pursuant to Section 2.22; provided that, if such date is not a Business Day, then the Maturity Date shall be the next succeeding Business Day.

“Maturity Date Extension Request” has the meaning set forth in Section 2.22(a).

“May” means The May Department Stores Company, a Delaware corporation.

“Measurement Period” means, as of any date of determination, the period of four fiscal quarters of Parent then most recently ended on or prior to such date of determination.

“Merger Agreement” means the Agreement and Plan of Merger dated as of February 27, 2005, by and among Federated Department Stores, Inc. (now known as Macy’s, Inc.), Milan Acquisition Corp., a Delaware corporation, and May.

“Minor Subsidiary” means any Subsidiary that is not a Material Subsidiary.

“Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Obligations” has the meaning assigned to such term in the Guarantee Agreement.

“Original Credit Agreement” means the Amended and Restated Credit Agreement dated as of August 30, 2006, among Parent, the Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as administrative agents and JPMorgan Chase Bank, N.A., as paying agent.

“Other Taxes” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

“Parent” means Macy’s, Inc. (formerly known as Federated Department Stores, Inc.), a Delaware corporation.

“Participant” has the meaning set forth in Section 9.04.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“Paying Agent” means JPMorgan Chase Bank, N.A., in its capacity as paying agent for the Lenders hereunder and under the other Loan Documents.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Encumbrances” means:

- (a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.03;
- (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in good faith by proper proceedings;
- (c) Liens (if any) arising by operation of law and pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance, old-age pensions and other social security laws or regulations;
- (d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
- (e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and
- (f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not materially detract from the value of the affected property to Parent or any Subsidiary or interfere with the ordinary conduct of business of Parent or any Subsidiary;

provided that the term “Permitted Encumbrances” shall not include any Lien securing Indebtedness.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“Pro Forma Basis” means (a) with respect to compliance with Section 6.05, that such compliance shall be determined as of the last day of the most recent Measurement Period as though Total Indebtedness on such day were equal to Total Indebtedness on the date of the relevant Restricted Payment (giving effect to any Indebtedness being incurred on such date) and (b) with respect to compliance with Section 6.06, that such compliance shall be determined as of the last day of the most recent Measurement Period as though any and all Indebtedness incurred during the period from the end of such Measurement Period to and including the date of the relevant Restricted Payment in order to (directly or indirectly) finance any Restricted Payment had been incurred on the first day of such Measurement Period and remained outstanding during such Measurement Period.

“Public Debt Ratings” means, as of any date of determination (a) Parent’s “Senior Unsecured Rating” most recently announced by Moody’s and (b) Parent’s “Corporate Credit Rating” most recently announced by S&P. If Moody’s or S&P shall change the basis on which such ratings are established, then the foregoing references shall be to the then equivalent rating by Moody’s or S&P, as the case may be, as determined by the Paying Agent.

“Register” has the meaning set forth in Section 9.04.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Required Lenders” means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII and the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

“Reset Date” has the meaning set forth in Section 2.21(a).

“Responsible Officer” means any executive officer of Parent or any Subsidiary or any other officer of Parent or any Subsidiary responsible for overseeing or reviewing compliance with this Agreement or any other Loan Document.

“Restatement Effective Date” has the meaning set forth in the Amendment and Restatement Agreement.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in Parent, the Borrower or any other Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interests in Parent, the Borrower or any other Subsidiary.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Revolving Loans and its LC Exposure and Swingline Exposure at such time.

“Revolving Loan” means a Loan made pursuant to Section 2.03.

“S&P” means Standard & Poor’s Ratings Service or any successor thereto.

“Spot Exchange Rate” means, on any day, with respect to any Alternate Currency in which an Alternate Currency Letter of Credit (or LC Disbursement thereunder) is denominated, the spot rate at which dollars are offered on such day by the applicable Issuing Bank (or the Paying Agent, in the case of determinations made by it) in London (or, in its discretion, any other city in which it conducts its foreign exchange activities in such Alternate Currency) for such Alternate Currency at approximately 11:00 a.m. (local time in London or such other city).

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Paying Agent is subject for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary” means any subsidiary of Parent.

“Subsidiary Loan Party” means any subsidiary of the Borrower that is organized under the laws of the United States of America or any State thereof or the District of Columbia.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Parent or the Subsidiaries shall be a Swap Agreement.

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

“Swingline Lender” means, as the context may require, (a) JPMorgan Chase Bank, N.A., (b) Bank of America, N.A., and (c) any other Lender that becomes a Swingline Lender pursuant to Section 2.05(d), in each case in its capacity as lender of Swingline Loans hereunder.

“Swingline Loan” means a Loan made pursuant to Section 2.05.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

“Total Commitments” means, at any time, the aggregate amount of the Lenders’ Commitments at such time.

“Total Indebtedness” means, as of any date, the aggregate principal amount of Indebtedness of Parent and the Subsidiaries outstanding as of such date, in the amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with GAAP; provided that any write-ups or write-downs of long-term Indebtedness (including current portions) of May or its subsidiaries as a result of the Acquisition shall be disregarded.

“Trade Letter of Credit” means any Letter of Credit that is issued for the benefit of a supplier of inventory to Parent or any Subsidiary to effect payment for such inventory, the conditions to drawing under which include the presentation to the applicable Issuing Bank of negotiable bills of lading, invoices and related documents sufficient, in the judgment of such Issuing Bank, to create a valid and perfected lien on or security interest in such inventory, bills of lading, invoices and related documents in favor of such Issuing Bank.

“Transactions” means the execution, delivery and performance by each Loan Party of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurodollar Loan”) or by Class and Type (e.g., a “Eurodollar Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurodollar Borrowing”) or by Class and Type (e.g., a “Eurodollar Revolving Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that if the Borrower notifies the Paying Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Paying Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Amendment and Restatement. (a) Upon the Restatement Effective Date, this Agreement amends, restates and supersedes in its entirety the Existing Credit Agreement.

(b) This Agreement is given in substitution of the Existing Credit Agreement and not as payment of any of the obligations of the Borrower thereunder, and is in no way intended to constitute a novation of the Existing Credit Agreement.

(c) This Agreement amends, restates and supersedes only the Existing Credit Agreement. Nothing contained herein, unless expressly herein stated to the contrary, is intended to amend, modify or otherwise affect any other instrument, document or agreement executed and/or delivered in connection with the Existing Credit Agreement.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower in Dollars from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the Total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$5,000,000 and not less than \$5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$5,000,000 and not less than

\$5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each request for a Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. Each Swingline Loan shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Paying Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Paying Agent of a written Borrowing Request in a form approved by the Paying Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Paying Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the Total Commitments. To request Competitive Bids, the Borrower shall notify the Paying Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Paying Agent of a written Competitive Bid Request in a form approved by the Paying Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Paying Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more irrevocable Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Paying Agent and must be received by the Paying Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Paying Agent may be rejected by the Paying Agent, and the Paying Agent shall

notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Paying Agent shall notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, on the proposed date of such Competitive Borrowing.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Paying Agent by telephone, confirmed by telecopy in a form approved by the Paying Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Paying Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Paying Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Paying Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, each Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$100,000,000 or (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the Total Commitments; provided that a Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Paying Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day), the amount of the requested Swingline Loan and the Swingline Lender from which such Swingline Loan is requested. The Paying Agent will promptly advise the applicable Swingline Lender of any such notice received from the Borrower. Such Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with such Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the applicable Issuing Bank) as promptly as practicable, but no later than 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) A Swingline Lender may by written notice given to the Paying Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of its Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Paying Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Paying Agent, for the account of the applicable Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including

the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Paying Agent shall promptly pay to the applicable Swingline Lender the amounts so received by it from the Lenders. The Paying Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Paying Agent and not to the applicable Swingline Lender. Any amounts received by a Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Paying Agent; any such amounts received by the Paying Agent shall be promptly remitted by the Paying Agent to the Lenders that shall have made their payments pursuant to this paragraph and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the applicable Swingline Lender or to the Paying Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

(d) Any Lender may at any time become a Swingline Lender hereunder by written agreement between the Borrower and such Lender, subject to notice to, and the consent of, the Paying Agent, which consent shall not unreasonably be withheld. From and after the effective date of any such Lender becoming a Swingline Lender, such Lender shall have the rights and obligations of a Swingline Lender under this Agreement.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Paying Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, any Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. On the Effective Date, each Existing Letter of Credit shall be deemed to be a Letter of Credit for all purposes hereof and shall be deemed to have been issued hereunder on the Effective Date. All Letters of Credit shall provide for drawings thereunder to be denominated in dollars except as provided for Alternate Currency Letters of Credit pursuant to Section 2.06(m).

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the relevant Issuing Bank) to the relevant Issuing

Bank (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit, and such Issuing Bank shall promptly deliver a copy of such notice by telecopy to the Paying Agent. If requested by the applicable Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$1,000,000,000, (ii) the portion of the LC Exposure attributable to Alternate Currency Letters of Credit shall not exceed \$100,000,000 and (iii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the Total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, the Issuing Bank in respect of such Letter of Credit hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Paying Agent, for the account of the applicable Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason (subject to Section 2.06(m), in the case of Alternate Currency Letters of Credit). Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. On the Effective Date and without any further action by any party hereto, each Issuing Bank that has issued an Existing Letter of Credit shall be deemed to have granted to each Lender, and each Lender shall be deemed to have acquired from such Issuing Bank, a participation in each such Existing Letter of Credit in accordance with the foregoing provisions of this paragraph (d).

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Paying Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that in the case of a LC Disbursement in respect of an Alternate Currency Letter of Credit, the times of day referred to above in this clause (e) shall be deemed to be the local time at the place of payment; provided further that, if such LC Disbursement is denominated in dollars, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Paying Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice (but subject to Section 2.06(m), in the case of Alternate Currency Letters of Credit), each Lender shall pay to the Paying Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Paying Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Paying Agent of any payment from the Borrower pursuant to this paragraph, the Paying Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged,

fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Paying Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse an Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. Unless otherwise separately agreed in writing between the Borrower and the applicable Issuing Bank, (A) the parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of such Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination, and (B) in furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, such Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The applicable Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Paying Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement

when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the applicable Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. An Issuing Bank may be replaced at any time by written agreement among the Borrower, the Paying Agent, the replaced Issuing Bank and the successor Issuing Bank. An Issuing Bank's obligations to issue additional Letters of Credit hereunder may be terminated at any time by written agreement among the Borrower, the Paying Agent and such Issuing Bank; provided that after giving effect thereto there is at least one remaining Issuing Bank obligated to issue Letters of Credit. The Paying Agent shall notify the Lenders of any such replacement or termination of an Issuing Bank. At the time any such replacement or termination shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced or terminated Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, the successor Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter. After the replacement or termination of an Issuing Bank hereunder, the replaced or terminated Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement or termination, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Paying Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Paying Agent, in the name of the Paying Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to either Loan Party described in clause (h) or (i) of Article VII. Such deposit shall be held by the Paying Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Paying Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Paying Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Paying Agent to reimburse any Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing

greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.11(b), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower as and to the extent that, after giving effect to such return, the Borrower would remain in compliance with Section 2.11(b) and no Default shall have occurred and be continuing.

(k) Additional Issuing Banks. Any Lender may at any time become an Issuing Bank hereunder by written agreement between the Borrower and such Lender, subject to notice to the Paying Agent. From and after the effective date of any such Lender becoming an Issuing Bank, such Lender shall have the rights and obligations of an Issuing Bank under this Agreement. Any Lender that becomes an Issuing Bank shall not cease to be an Issuing Bank hereunder if it later ceases to be a Lender hereunder.

(l) Certain Notices by Issuing Banks. Each Issuing Bank that is not the same Person as the Person serving as the Paying Agent shall notify the Paying Agent of (i) the currency, amount (including the Dollar Amount thereof in the case of Alternate Currency Letters of Credit) and expiration date of each Letter of Credit issued by such Issuing Bank at or prior to the time of issuance thereof (or in the case of an Existing Letter of Credit, such notice shall be provided on the Effective Date), (ii) any amendment or modification to, or LC Disbursement under, any such Letter of Credit at or prior to the time of such amendment, modification or LC Disbursement and (iii) any termination, surrender, cancellation or expiry of any such Letter of Credit at or prior to the time of such termination, surrender, cancellation or expiration.

(m) Alternate Currency Letters of Credit. Subject to the terms and conditions set forth herein, the other conditions applicable to the issuance of Letters of Credit hereunder and the approval of the applicable Issuing Bank, the Borrower may request the issuance of Alternate Currency Letters of Credit. Upon the issuance of any Alternate Currency Letter of Credit, and so long as any Alternate Currency Letter of Credit remains outstanding, the following provisions shall apply:

(i) For purposes of determining the total LC Exposure at any time and for purposes of calculating fees payable under Sections 2.12(b) and (c), the amount of any Alternate Currency Letter of Credit and of any LC Disbursements in respect thereof shall be deemed to be, as of any date of determination, the Dollar Amount thereof at such date. The initial Dollar Amount of any Alternate Currency Letter of Credit shall be determined by the applicable Issuing Bank on the date of issuance thereof and adjusted from time to time thereafter, in each case, as provided below. The Dollar Amount of each Alternate Currency Letter of Credit outstanding shall be adjusted by the applicable Issuing Bank on each Calculation Date as provided in Section 2.21(a). If an LC Disbursement is made by the Issuing Bank under any Alternate Currency Letter of Credit, the Dollar Amount of such

LC Disbursement shall be determined by such Issuing Bank on the date that such LC Disbursement is made. The applicable Issuing Bank shall make each such determination to be made by it by calculating the amount in dollars that would be required in order for such Issuing Bank to purchase an amount of the applicable Alternate Currency equal to the amount of the relevant Alternate Currency Letter of Credit or unpaid LC Disbursement, as the case may be, on the date of determination at the Spot Exchange Rate with respect to such Alternate Currency on such date of determination. Each applicable Issuing Bank shall notify the Paying Agent and the Borrower promptly of each such Dollar Amount determined by it, on the date that such determination is required to be made.

(ii) Subject to paragraph (iv) below, the obligation of the Borrower to reimburse the applicable Issuing Bank for any LC Disbursement under any Alternate Currency Letter of Credit, and to pay interest thereon, shall be payable only in the Alternate Currency in which such LC Disbursement is made, and shall not be discharged by paying an amount in dollars or any other currency; provided that the applicable Issuing Bank may agree, in its sole discretion, to accept reimbursement in another currency, but any such agreement shall not affect the obligations of the Lenders or the Borrower under paragraphs (iii) and (iv) below if such reimbursement is not actually made to the applicable Issuing Bank when due.

(iii) The obligation of each Lender under paragraphs (d) and (e) of this Section to pay its Applicable Percentage of any unpaid LC Disbursement under any Alternate Currency Letter of Credit shall be payable only in dollars and shall be in an amount equal to such Applicable Percentage of the Dollar Amount of such unpaid drawing determined as provided in paragraph (i) above. Under no circumstances shall the provisions hereof permitting the issuance of Letters of Credit in an Alternate Currency be construed, by implication or otherwise, as imposing any obligation upon any Lender to make any Loan or other payment under the Loan Documents, or to accept any payment from the Borrower in respect of any unreimbursed LC Disbursement, in any currency other than dollars, it being understood that the parties intend all payments of Indebtedness created under the Loan Documents to be denominated and payable only in dollars except as expressly provided in paragraph (ii) above and in Section 2.18(a).

(iv) If and to the extent that any Lender pays its Applicable Percentage of any unreimbursed LC Disbursement under any Alternate Currency Letter of Credit, then, notwithstanding clause (ii) above, the obligation of the Borrower to reimburse the portion of such unreimbursed LC Disbursement funded by such Lender shall be converted to, and shall be payable only in, dollars (in an amount equal to the dollar amount funded by such Lender as provided above) and shall not be discharged by paying an amount in any other currency. Interest accrued on such unreimbursed LC Disbursement to and excluding the date of such payment by such Lender shall be for the account of the applicable Issuing Bank and be payable in the applicable Alternate Currency, but interest thereafter shall accrue on the dollar amount owed to such Lender and shall be payable in dollars.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Paying Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Paying Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Paying Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Paying Agent to the applicable Issuing Bank.

(b) Unless the Paying Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Paying Agent such Lender's share of such Borrowing, the Paying Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Paying Agent, then the applicable Lender and the Borrower severally agree to pay to the Paying Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Paying Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Paying Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Paying Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Paying Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Paying Agent of a written Interest Election Request in a form approved by the Paying Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Paying Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Paying Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$10,000,000 and not less than \$25,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the Total Commitments.

(c) The Borrower shall notify the Paying Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Paying Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Paying Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Paying Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, (ii) to the Paying Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan and (iii) to the applicable Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least four Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) 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 Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Paying Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Paying Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Paying Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Paying Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (c) of this Section; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) In the event that, on any Reset Date, the sum of the total Revolving Credit Exposures and the aggregate principal amount of outstanding Competitive Loans exceeds 105% of the Total Commitments, then, within three Business Days after notice thereof to the Borrower from the Paying Agent, the Borrower shall prepay Revolving Borrowings (or, if no such Borrowings are outstanding, deposit cash collateral in an account with the Paying Agent pursuant to Section 2.06(j)) such that, after giving effect thereto, the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans does not exceed the Total Commitments. Solely for purposes of determining compliance with this paragraph, the total Revolving Credit Exposure shall be deemed reduced by the amount of cash collateral deposited with and held by the Paying Agent pursuant to Section 2.05(j).

(c) The Borrower shall notify the Paying Agent (and, in the case of prepayment of a Swingline Loan, the applicable Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Paying Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing

shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Paying Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of the Commitment of such Lender during the period from and including Restatement Effective Date to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees with respect to Commitments, a Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose).

(b) The Borrower agrees to pay (i) to the Paying Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Revolving Loans (or in the case of a Trade Letter of Credit, 50% of such Applicable Rate) on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank a fronting fee separately agreed upon between the Borrower and such Issuing Bank. Participation fees accrued through and including the last day of March, June, September and December of each year shall be payable on the fifth Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Paying Agent, for its own account or for the account of the Lenders, as applicable, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Paying Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Paying Agent (or to the applicable Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees, participation fees and other fees separately agreed upon to be payable to the Lenders, to the Lenders. Fees paid shall not be refundable under any circumstances, except to the extent that the Borrower demonstrates that any amounts paid represent overpayments.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Paying Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Paying Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Paying Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Paying Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Paying Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or an Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital or on the capital of such Lender's or Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or Issuing Bank or such Lender's or Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or Issuing Bank's policies and the policies of such Lender's or Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank or such Lender's or Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the failure to

borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 30 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Paying Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Paying Agent, each Lender and each Issuing Bank, within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Paying Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Bank, or by the Paying Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Paying Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Paying Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Paying Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) If the Paying Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Paying Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Paying Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Paying Agent or such Lender in the event the Paying Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Paying Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 1:00 p.m., New York City time (or, in the case of an amount payable in an Alternate Currency, 1:00 p.m. local time at the place of payment), on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Paying Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Paying Agent at its offices at 270 Park Avenue, New York, New York (or, in the case of payments in an Alternate Currency, such other location as provided below), except payments to be made directly to an Issuing Bank or a Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Paying Agent shall distribute any such payments received by it for the account of any other Person

to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars, except as expressly provided herein with respect to Alternate Currency Letters of Credit. All payments to be made by the Borrower in an Alternate Currency pursuant to Section 2.06(m) shall be made in such Alternate Currency in such funds as may then be customary for the settlement of international transactions in such Alternate Currency for the account of the applicable Issuing Bank at such time and at such place as shall have been notified by such Issuing Bank to the Borrower by not less than four Business Days' notice.

(b) If at any time insufficient funds are received by and available to the Paying Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Paying Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Paying Agent for the account of the Lenders or any Issuing Bank hereunder that the Borrower will not make such payment, the Paying Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or such Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the applicable Issuing Bank, as the case may be, severally agrees to repay to the Paying Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Paying Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Paying Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b) or 2.18(d), then the Paying Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Paying Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations: Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender is a Declining Lender, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Paying Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Paying Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the

outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments and (iv) in the case of any such assignment resulting from a Lender being a Declining Lender, the assignee shall have agreed to the applicable Maturity Date Extension Request. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Increase in Commitments. (a) At any time after the Effective Date and no more than two times during any calendar year, the Borrower may, by written notice to the Paying Agent (which shall promptly deliver a copy to each of the Lenders), request at any time or from time to time that the Total Commitments be increased; provided that (i) the aggregate amount of each such increase pursuant to this Section 2.20 shall not be less than \$50,000,000 and the aggregate amount of all such increases pursuant to this Section 2.20 shall not exceed \$500,000,000, (ii) each such request of the Borrower shall be deemed to be an offer to each Lender to increase its Commitment by its Applicable Percentage of the proposed increased amount and (iii) each Lender, in its sole discretion, may either (A) agree to increase its Commitment by all or a portion of the offered amount or (B) decline to increase its Commitment. Any such notice shall set forth the amount of the requested increase in the Total Commitments and the date on which such increase is requested to become effective. In the event that the Lenders shall have agreed to increase their Commitments by an aggregate amount less than the increase in the Total Commitments requested by the Borrower, the Borrower may arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an “Augmenting Lender”), which may include any Lender, to extend Commitments or increase its existing Commitment in an aggregate amount equal to the unsubscribed amount; provided that each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Paying Agent (not to be unreasonably withheld). Increases of Commitments and new Commitments created pursuant to this paragraph (a) shall become effective upon the execution and delivery by Parent, the Borrower, the Paying Agent and any Lenders (including any Augmenting Lenders) agreeing to increase their existing Commitments or extend new Commitments, as the case may be, of an agreement providing for such increased or additional Commitments, subject to the satisfaction of any conditions set forth in such agreement. Notwithstanding the foregoing, no increase in the Total Commitments (or in the Commitment of any Lender) shall become effective under this paragraph (a) unless, on the date of such increase, the conditions set forth in paragraphs (a) and (b) of Sections 4.02 shall be satisfied (as though a Borrowing were being made on such date) and the Paying Agent shall have received a certificate to that effect dated such date and executed by a Responsible Officer or a Financial Officer of Parent and the Borrower.

(b) At the time that any increase in the Total Commitments pursuant to paragraph (a) of this Section 2.20 (a “Commitment Increase”) becomes effective, if any Revolving Loans are outstanding, the Borrower shall prepay the aggregate principal amount outstanding in respect of such Revolving Loans in accordance with Section 2.11 (the “Initial Loans”); provided that (i) nothing in this Section 2.20 shall prevent the Borrower from funding the prepayment of Initial Loans with concurrent Revolving Loans hereunder in accordance with the provisions of this Agreement, giving effect to the Commitment Increase, and (ii) no such prepayment shall be required if, after giving effect to the Commitment Increase, each Lender has the same Applicable Percentage as immediately prior to such Commitment Increase.

SECTION 2.21. Currency Fluctuations. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, if there are any Alternate Currency Letters of Credit outstanding, (i) each Issuing Bank that has outstanding any Alternate Currency Letter of Credit or LC Disbursement thereunder shall determine the Dollar Amount as of such Calculation Date of each outstanding Alternate Currency Letter of Credit issued by it or LC Disbursement thereunder, and such Issuing Bank shall notify the Paying Agent and the Borrower of each Dollar Amount so determined and the relevant Spot Exchange Rate used by it to make such determination and (ii) the Paying Agent shall give notice to the Lenders and the Borrower of the Spot Exchange Rates so determined. The Spot Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a “Reset Date”) and (subject to Section 2.06(m)) shall remain effective until the next succeeding Reset Date.

(b) Not later than 5:00 p.m., New York City time, on each Reset Date and the date of each Borrowing or issuance of a Letter of Credit, if there are any Alternate Currency Letters of Credit then outstanding, the Paying Agent shall (i) determine the Dollar Equivalent of the Alternate Currency Letters of Credit then outstanding (after giving effect to any Loans to be made or repaid on such date) and (ii) notify the Lenders and the Borrower of the results of such determination and of the resulting total Revolving Credit Exposures.

SECTION 2.22. Extension of Maturity Date. (a) The Borrower may, by delivery of a written request (a “Maturity Date Extension Request”) to the Paying Agent (which shall promptly deliver a copy to each of the Lenders) not less than 30 days and not more than 90 days prior to the first or second anniversary of the Effective Date, request that the Lenders extend the Maturity Date for an additional period of one year; provided that there shall be no more than two extensions of the Maturity Date pursuant to this Section.

(b) Each Lender shall, by notice to the Borrower and the Administrative Agent given not later than the 20th day after the date of the Paying Agent’s receipt of the Borrower’s Maturity Date Extension Request (or such other date as the Borrower and the Paying Agent may agree; such date, the “Extension Date”), advise the Borrower whether or not it agrees to the requested extension (each Lender agreeing to a requested extension being called a “Consenting Lender”, and each Lender declining to agree to a requested extension being called a “Declining Lender”). Any Lender that has not so advised the Borrower and the Paying Agent by such Extension Date shall be deemed to have declined to agree to such extension and shall be a Declining Lender.

(c) If Lenders constituting the Required Lenders shall have agreed to a Maturity Date Extension Request by the Extension Date, then the Maturity Date shall, as to the Consenting Lenders, be extended to the first anniversary of the Maturity Date theretofore in effect. The decision to agree or withhold agreement to any Maturity Date Extension Request shall be at the sole discretion of each Lender. The Commitment of any Declining Lender shall terminate on the Maturity Date in effect prior to giving effect to any such extension (such Maturity Date being called the “Existing Maturity Date”). The principal amount of any outstanding Loans made by Declining Lenders, together with any accrued interest thereon and any accrued fees and other amounts payable to or for the account of such Declining Lenders hereunder, shall be due and payable on the Existing Maturity Date, and on the Existing Maturity Date the Borrower shall also make such other prepayments of Loans pursuant to Section 2.11 as shall be required in order that, after giving effect to the termination of the Commitments of, and all payments to, Declining Lenders pursuant to this sentence, the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would not exceed the Total Commitments.

(d) Notwithstanding the foregoing provisions of this Section 2.22, the Borrower shall have the right, pursuant to Section 2.19(b), at any time prior to the Existing Maturity Date, to replace a Declining Lender with a Lender or other financial institution that will agree to the applicable Maturity Date Extension Request, and any such replacement Lender shall for all purposes constitute a Consenting Lender.

(e) Notwithstanding the foregoing provisions of this Section 2.22, no extension of the Maturity Date pursuant to this Section 2.22 shall become effective unless, on or promptly following the Extension Date, the conditions set forth in Section 4.02 shall be satisfied (with all references in such Section to a Borrowing being deemed to be references to such extension and without giving effect to the parenthetical in Section 4.02(a)) and the Paying Agent shall have received a certificate to that effect dated the Extension Date and executed by a Responsible Officer or a Financial Officer of each of Parent and the Borrower.

SECTION 2.23. Defaulting Lenders. Notwithstanding any other provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) if any Swingline Exposure or LC Exposure exists at the time a Lender is a Defaulting Lender, the Borrower shall within one Business Day following notice by the Paying Agent (i) prepay such Swingline Exposure or, if agreed by the applicable Swingline Lender or Lenders, cash collateralize the Swingline Exposure of the Defaulting Lender on terms satisfactory to the Swingline Lender or Lenders and (ii) cash collateralize such Defaulting Lender’s LC Exposure in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding; and

(b) the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit unless it is satisfied that cash collateral will be provided by the Borrower in accordance with Section 2.23(a).

ARTICLE III

Representations and Warranties

Each of Parent and the Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization. Each of Parent and the Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

SECTION 3.02. Powers; Authorization; No Conflicts; Enforceability. The Transactions are within each Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (a) any Loan Party's charter or by-laws or (b) law or any contractual restriction binding on or affecting any Loan Party. This Agreement has been, and each of the other Loan Documents to which any Loan Party is to be a party when delivered hereunder will have been, duly executed and delivered by each Loan Party that is a party hereto or thereto, as applicable. This Agreement is, and each of the other Loan Documents to which any Loan Party is to be a party when delivered will be, the legal, valid and binding obligation of each Loan Party that is a party hereto or thereto, as applicable, enforceable against each such Loan Party in accordance with its terms.

SECTION 3.03. Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other third party is required for the due execution, delivery and performance by any Loan Party of any Loan Document to which it is to be a party, the borrowing of the Loans, the use of the proceeds thereof or the issuance of Letters of Credit hereunder.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The consolidated balance sheet of Parent and its subsidiaries as at February 2, 2008, and the related consolidated statements of income and cash flows of Parent and its subsidiaries for the fiscal year then ended, accompanied by an opinion of KPMG LLP, independent public accountants, and the consolidated balance sheet of Parent and its subsidiaries as at November 1, 2008, and the related consolidated statements of income and cash flows of Parent and its subsidiaries for the nine months then ended, duly certified by a Financial Officer of Parent, copies of which have been furnished to the Lenders, fairly present, subject, in the case of said balance sheet as at November 1, 2008, and said statements

of income and cash flows for the nine months then ended, to year-end audit adjustments, the consolidated financial condition of Parent and its subsidiaries as at such dates and the consolidated results of the operations of Parent and its subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied.

(b) Since February 2, 2008, there has been no material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of Parent and its subsidiaries, taken as a whole.

SECTION 3.05. Litigation. There is no pending or threatened action, suit, investigation, litigation or proceeding affecting Parent or any Subsidiary pending or threatened before any Governmental Authority or arbitrator that (a) would be reasonably likely to have a Material Adverse Effect or (b) purports to affect the legality, validity or enforceability of any Loan Document or the consummation of the transactions contemplated hereby.

SECTION 3.06. Investment Company Status. None of the Loan Parties is an “investment company”, within the meaning of the Investment Company Act of 1940.

SECTION 3.07. ERISA. (a) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan that has resulted in or is reasonably expected to have a Material Adverse Effect.

(b) Neither the Borrower nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan that could be reasonably expected to have a Material Adverse Effect.

(c) Each Plan satisfies the funding requirements under Section 302 of ERISA and there has been no change in the funding status of any such Plan since the last annual actuarial valuation date that would reasonably be expected to have a Material Adverse Effect.

SECTION 3.08. Bloomingtondale’s Lease. As of December 18, 2008, if the Guarantee Agreement had been in effect and the Bloomingtondale’s Parties had been party thereto, the amount of their maximum liability under the Guarantee Agreement would have exceeded \$500,000,000.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. [Intentionally Omitted.]

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of an Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Loan Parties set forth in this Agreement (other than those in Section 3.04(b) and clause (a) of Section 3.05, at such times when the Public Debt Ratings are Baa2 and BBB or better, respectively) shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Loan Parties on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of Parent and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; Ratings Change and Other Information. Parent or the Borrower will furnish to the Paying Agent and each Lender:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of Parent, a copy of the annual audit report for such year for Parent and its consolidated subsidiaries, containing a consolidated balance sheet of Parent and its consolidated subsidiaries as of the end of such fiscal year and consolidated statements of income and cash flows of Parent and its consolidated subsidiaries for such fiscal year, in each case accompanied by an opinion by KPMG LLP or other independent

public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) and certificates of a Financial Officer of Parent (i) as to compliance with the terms of this Agreement, (ii) setting forth in reasonable detail the then applicable Public Debt Ratings and the Interest Coverage Ratio and the Leverage Ratio as of the end of such fiscal year and the calculations necessary to demonstrate compliance with Sections 6.05 and 6.06 as of the end of such fiscal year and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the last consolidated financial statements of Parent and its consolidated subsidiaries referred to in Section 3.04(a) that materially affects the financial statements accompanying such certificate and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(b) as soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Parent, a consolidated balance sheet of Parent and its consolidated subsidiaries as of the end of such quarter and consolidated statements of income and cash flows of Parent and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year of Parent and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by a Financial Officer of Parent as having been prepared in accordance with GAAP, and certificates of a Financial Officer of Parent (i) as to compliance with the terms of this Agreement, (ii) setting forth in reasonable detail the then applicable Public Debt Ratings and the Interest Coverage Ratio and the Leverage Ratio as of the end of such fiscal quarter and the calculations necessary to demonstrate compliance with Sections 6.05 and 6.06 as of the end of such fiscal quarter and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the last consolidated financial statements of Parent and its consolidated subsidiaries referred to in Section 3.04(a) that materially affects the financial statements accompanying such certificate and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(c) as soon as possible and in any event within five days after any Responsible Officer becomes aware of the occurrence of a Default or an event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect, in each case continuing on the date of such statement, a statement of a Financial Officer of Parent or the Borrower setting forth details of such Default, event, development or other circumstance (including the anticipated effect thereof) and the action that Parent or the Borrower has taken and proposes to take with respect thereto;

(d) promptly after the sending thereof, copies of all reports that Parent or the Borrower sends to any of the holders of any class of its outstanding securities;

(e) promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority or arbitrator affecting Parent or any Subsidiary of the type described in Section 3.05;

(f) as soon as possible and in any event within five Business Days after any change in either Public Debt Rating, a certificate of a Financial Officer of Parent setting forth such Public Debt Rating;

(g) concurrently with any financial statements delivered under clause (a) above, an annual financial forecast for Parent and its consolidated subsidiaries for the subsequent fiscal year (including a consolidated balance sheet of Parent and its consolidated subsidiaries as of the end of such fiscal year and consolidated statements of income and cash flows of Parent and its consolidated subsidiaries for such fiscal year); and

(h) such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of Parent or any Subsidiary as any Lender through either Administrative Agent may from time to time reasonably request.

The Borrower and Parent also agree that promptly after any report or registration statement, other than a registration statement on Form S-8 or any successor form thereto, is filed by Parent or any Subsidiary with the Securities and Exchange Commission or any national securities exchange a copy thereof will be made available on Parent's website.

SECTION 5.02. Existence. Parent will, and will cause each of the Subsidiaries to, preserve and maintain, its corporate existence, rights (charter and statutory), permits, licenses, approvals, privileges and franchises, except, with respect to such rights, permits, licenses, approvals, privileges and franchises, where the failure to do so could not be reasonably expected to have a Material Adverse Effect; provided that Parent and the Subsidiaries may consummate any merger or consolidation permitted under Section 6.03 and, provided, further, that, unless required in order to comply with Section 6.03, neither Parent nor any Subsidiary shall be required to preserve or maintain (i) the corporate existence of any Minor Subsidiary if the Board of Directors of the parent of such Minor Subsidiary, or an executive officer of such parent to whom such Board of Directors has delegated the requisite authority, shall determine that the preservation and maintenance thereof is no longer desirable in the conduct of the business of such parent and that the loss thereof is not disadvantageous in any material respect to Parent, the Borrower, such parent, the Paying Agent, the Issuing Banks or the Lenders or (ii) any right, permit, license, approval, privilege or franchise if the Board of Directors of Parent or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of Parent or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to Parent, such Subsidiary, the Paying Agent, the Issuing Banks or the Lenders.

SECTION 5.03. Payment of Obligations. Parent will, and will cause each of the Subsidiaries to, pay and discharge, before the same shall become delinquent, (a) all Taxes imposed upon it or upon its property and (b) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided that neither Parent nor any Subsidiary shall be required to pay or discharge any such Tax or claim (i) that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors and (ii) if such non-payments, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

SECTION 5.04. Maintenance of Properties; Insurance. (a) Except where the failure to do so, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect, Parent will, and will cause each of the Subsidiaries to, maintain and preserve all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(b) Parent will, and will cause each of the Subsidiaries to, maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which Parent or such Subsidiary operates, except where failure to maintain such insurance could not be reasonably expected to have a Material Adverse Effect.

SECTION 5.05. Books and Records; Inspection Rights. (a) Parent will, and will cause each of the Subsidiaries to, keep proper books of record and account in such detail as is necessary to allow the delivery of the reports required by Section 5.01, in which full and correct entries shall be made of all financial transactions and the assets and business of Parent and its consolidated subsidiaries in accordance with GAAP.

(b) Parent will, and will cause each of the Subsidiaries to, at any reasonable time and from time to time, upon reasonable notice, permit any Agent or any of the Lenders or any agents or representatives thereof, to examine the records and books of account of, and visit the properties of, Parent or any Subsidiary and to discuss the affairs, finances and accounts of Parent or any Subsidiary with any of their financial officers.

SECTION 5.06. Compliance with Laws. Parent will, and will cause each of the Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders (including ERISA and environmental laws), except, in any case, where the failure so to comply, either individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.

SECTION 5.07. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only for working capital and general corporate purposes, including to support commercial paper. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X. Letters of Credit will be issued only for general corporate purposes.

SECTION 5.08. Additional Subsidiaries; Reinstatement of Guarantees. (a) If any additional Subsidiary Loan Party is formed or acquired after the Restatement Effective Date, then, the Borrower will promptly, but in no event later than five Business Days after such formation or acquisition, cause such Subsidiary Loan Party to execute and deliver a supplement to the Guarantee Agreement thereby becoming a Guarantor in accordance with the terms of the Guarantee Agreement; provided that the requirements of this paragraph shall not apply if at the time of formation or acquisition either Public Debt Rating is Baa1 or BBB+ or better (provided that the lower rating is not more than one notch worse than the higher rating).

(b) If the Guarantees of the Subsidiary Loan Parties are released and terminated as provided in the Guarantee Agreement, the Borrower agrees: (i) if at any time thereafter a Public Debt Rating is worse than Baa2 or BBB, then the Borrower will promptly, but in any event within five Business Days, cause each Subsidiary Loan Party to execute and deliver a supplement to the Guarantee Agreement thereby becoming a Guarantor in accordance with the terms of the Guarantee Agreement; and (ii) if at any time thereafter one or more Subsidiary Loan Parties have in effect Guarantees of Indebtedness of Parent or the Borrower, and the aggregate principal amount of Indebtedness so Guaranteed by any or all such Subsidiary Loan Parties (combined) exceeds \$100,000,000, then the Borrower will promptly, but in any event within five Business Days, cause each Subsidiary Loan Party that has Guaranteed any Indebtedness of Parent or the Borrower to execute and deliver a supplement to the Guarantee Agreement thereby becoming a Guarantor in accordance with the terms of the Guarantee Agreement.

(c) If requested by either of the Administrative Agents, the Borrower will provide to the Administrative Agents such evidence of authority and legal opinions regarding any execution and delivery of a supplement to the Guarantee Agreement by a Subsidiary Loan Party as provided above, as either Administrative Agent shall reasonably request.

SECTION 5.09. Corporate Existence; Inventory Recordkeeping. (a) Parent and the Borrower will, and will cause each Subsidiary Loan Party to, maintain the corporate or limited liability company, as applicable, existence of each Subsidiary Loan Party (subject to the exceptions set forth in Section 5.02) and ensure that each Subsidiary Loan Party observes all corporate or limited liability company requirements, procedures, and formalities consistent with its status as a validly existing corporation or limited liability company, as applicable.

(b) Parent and the Borrower will maintain a system of inventory recordkeeping under which the location and sales of inventory are tracked by individual store location pursuant to which the inventory owned by each Subsidiary Loan Party may be separately determined.

(c) Parent and the Borrower will, or will cause each Subsidiary Loan Party to, maintain a recordkeeping system pursuant to which the assets and liabilities of each Subsidiary Loan Party may be separately determined in accordance with GAAP.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of Parent and the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Subsidiary Indebtedness. Parent will not permit any Subsidiary (other than the Borrower) to create, assume or suffer to exist, any Indebtedness, other than:

(a) Indebtedness owed to Parent or to a wholly owned Subsidiary; provided that any such Indebtedness owed by a Subsidiary Loan Party shall be subordinated to such Subsidiary Loan Party's Guarantee of the Obligations on the terms set forth on Schedule B to the Guarantee Agreement;

(b) Indebtedness existing on the Restatement Effective Date (whether such Indebtedness is Indebtedness of a subsidiary of Parent or a subsidiary of the Borrower) and described on Schedule 6.01 (the "Existing Indebtedness"), and any Indebtedness extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Indebtedness; provided that the principal amount of such Existing Indebtedness shall not be increased above the principal amount thereof 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;

(c) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(d) [RESERVED];

(e) Indebtedness of any Person that becomes a Subsidiary after the date hereof that is existing at the time such Person becomes a Subsidiary (other than Indebtedness incurred solely in contemplation of such Person becoming a Subsidiary) and any Indebtedness extending the maturity of, or refunding or refinancing, such Indebtedness, in whole or in part; provided that the principal amount of such Indebtedness shall not be increased above the principal amount thereof 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

(f) other Indebtedness in an aggregate principal amount at any time outstanding not to exceed \$500,000,000.

SECTION 6.02. Liens. Parent will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien on or with respect to any of its assets of any character (including accounts) whether now owned or hereafter acquired, or assign any accounts or other right to receive income, except:

(a) Liens created or existing under the Loan Documents;

(b) Permitted Encumbrances;

(c) the Liens existing on the Restatement Effective Date and described on Schedule 6.02 (whether such Liens are on the assets of Parent or any of its subsidiaries);

(d) purchase money Liens upon or in real property or equipment acquired or held in the ordinary course of business to secure the purchase price of such property or equipment or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of any such property or equipment to be subject to such Liens, or Liens existing on any such property or equipment at the time of acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property or equipment), or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, constructed or improved (except that Liens incurred in connection with the construction or improvement of real property may extend to additional real property immediately contiguous to such property being constructed or improved) and no such extension, renewal or replacement shall extend to or cover any such properties not theretofore subject to the Lien being extended, renewed or replaced;

(e) Liens arising in connection with Capital Lease Obligations; provided that no such Lien shall extend to or cover any assets other than the assets subject to the applicable capital leases;

(f) Liens on property of a Person existing at the time such Person is merged into or consolidated with Parent or any Subsidiary or becomes a Subsidiary; provided that such Liens (other than replacement Liens permitted under clause (k) below) were not created in contemplation of such merger, consolidation or investment and do not extend to any assets other than those of the Person merged into or consolidated with Parent or such Subsidiary or acquired by the Parent or such Subsidiary;

(g) [RESERVED]

(h) Liens securing Documentary LCs or Trade Letters of Credit; provided that no such Lien shall extend to or cover any assets of Parent or any Subsidiary other than the inventory (and bills of lading and other documents related thereto) being financed by any such Documentary LCs or Trade Letter of Credit, as the case may be;

(i) Liens in respect of goods consigned to Parent or any of its Subsidiaries in the ordinary course of business; provided that such Liens are limited to the goods so consigned;

(j) Liens (other than on inventory) securing Indebtedness incurred by Parent or the Subsidiaries; provided that the sum of the aggregate amount of such Indebtedness at any time outstanding shall not exceed \$100,000,000; and

(k) the replacement, extension or renewal of any Lien permitted by clause (c) or (f) above upon or in the same property theretofore subject thereto or, in the case of Liens on real property and related personal property of Parent or any of the Subsidiaries, upon or in substitute property of like kind of Parent or such Subsidiary, as the case may be, determined in good faith by the Board of Directors of Parent or such Subsidiary to be of the same or lesser value than the property theretofore subject thereto, or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Indebtedness secured thereby.

SECTION 6.03. Fundamental Changes; Conduct of Business. (a) Parent will not, and will not permit the Borrower, any Subsidiary Loan Party or any other Material Subsidiary to, merge or consolidate with or into any Person except that (i) any Subsidiary may merge or consolidate with or into any other Subsidiary (provided that, if the Borrower is a party to any such merger or consolidation, the Borrower shall be the surviving entity and shall remain a direct, wholly owned subsidiary of Parent), (ii) any Subsidiary may merge into Parent and Parent may merge with any other Person, so long as in either case Parent is the surviving corporation and (iii) in connection with any acquisition, any Subsidiary may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it, so long as the Person surviving such merger shall be a Subsidiary (provided that, if the Borrower is a party to any such merger or consolidation, the Borrower shall be the surviving entity and shall remain a direct, wholly owned subsidiary of Parent); provided that (A) in each case, no Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and (B) notwithstanding any of the foregoing, a Subsidiary Loan Party shall not merge or consolidate with Parent, the Borrower or any other Subsidiary that is not a Subsidiary Loan Party.

(b) Parent and the Borrower will not liquidate or dissolve, and Parent will not, and will not permit any Subsidiary to sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of the assets of Parent and the Subsidiaries, taken as a whole (whether now owned or hereafter acquired). The Borrower will not permit any Subsidiary Loan Party to liquidate into Parent, the Borrower or any other Subsidiary that is not a Subsidiary Loan Party.

(c) Parent will not, and will not permit any Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by Parent and its subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.04. Sale and Leaseback Transactions. Parent will not, and will not permit any Subsidiary to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except for (a) any such sale of any fixed or capital assets that is made for cash consideration in an amount not less than the cost of such fixed or capital asset and is consummated within 90 days after Parent or such Subsidiary acquires or completes the construction of such fixed or capital asset and (b) any such sale of any fixed or capital assets for fair market value; provided that the fair market value of all such assets sold in reliance upon this clause (b) plus the aggregate amount of Indebtedness at any time outstanding secured by Liens in reliance on Section 6.02(j) shall not exceed 12.5% of Consolidated Net Tangible Assets, determined as of the date of any such sale; provided further that the fair market value of all such assets sold by Subsidiary Loan Parties after the Restatement Effective Date in reliance upon this clause (b) shall not exceed \$250,000,000 in aggregate.

SECTION 6.05. Leverage Ratio. Parent will not permit the Leverage Ratio as of the last day of any Measurement Period to exceed the ratio set forth opposite such Measurement Period below:

<u>Period</u>	<u>Leverage Ratio</u>
Measurement Periods ending prior to or on October 31, 2009	4.90 to 1.00
Measurement Periods ending thereafter, but prior to or on October 30, 2010	4.75 to 1.00
Measurement Periods ending thereafter	4.50 to 1.00

SECTION 6.06. Interest Coverage Ratio. Parent will not permit the Interest Coverage Ratio as of the last day of any Measurement Period to be less than the ratio set forth opposite such Measurement Period below:

<u>Period</u>	<u>Interest Coverage Ratio</u>
Measurement Periods ending prior to or on October 30, 2010	3.00 to 1.00
Measurement Periods ending thereafter	3.25 to 1.00

SECTION 6.07. Subsidiary Loan Parties. (a) Parent and the Borrower will not permit the Inventory Ratio as of the last day of any Measurement Period to be less than 0.35 to 1.00.

(b) Parent and the Borrower will not permit any Subsidiary Loan Party to sell, transfer, lease or otherwise dispose of any real property owned by it to Parent, the Borrower or any other Subsidiary that is not a Subsidiary Loan Party.

(c) Parent and the Borrower will not permit any Subsidiary Loan Party to sell, transfer or otherwise dispose of inventory owned by it to Parent, the Borrower or any other Subsidiary that is not a Subsidiary Loan Party, except in the ordinary course of business consistent with past practice.

SECTION 6.08. Restricted Payments. Parent and the Borrower will not, and will not permit any of their respective Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except: (a) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests; (b) Parent may make Restricted Payments in cash in an aggregate amount not to exceed \$230,000,000 during any fiscal year; provided that, at the time of and after giving effect to any such Restricted Payment, no Default shall have occurred and be continuing and Parent shall be in compliance, on a Pro Forma Basis, with Sections 6.05 and 6.06; and (c) Parent may make any additional Restricted Payment in cash; provided that (i) the amount of such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Parent after the Restatement Effective Date (including those made pursuant to clause (b) above), is not greater than the sum, without duplication, of (A) 50% of Consolidated Net Income (without giving effect to non-cash charges arising from impairments of goodwill, impairments of intangibles or impairments/write downs of real estate) for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Restatement Effective Date to the end of Parent's most recently ended fiscal quarter for which financial statements are publicly available at the time of such Restricted Payment (or, if such Consolidated Net Income (without giving effect to non-cash charges arising from impairments of goodwill, impairments of intangibles or impairments/write downs of real estate) for such period is a deficit, less 100% of such deficit); plus (B) 100% of the aggregate net cash proceeds received by Parent, during the period from the Restatement Effective Date to the date of such Restricted Payment, from the issuance by Parent of additional Equity Interests (other than Disqualified Equity Interests or Equity Interests issued to a Subsidiary or to an employee stock ownership plan or trust), and (ii) at the time of and after giving effect to such Restricted Payment, no Default shall have occurred and be continuing and Parent shall be in compliance, on a Pro Forma Basis, with Sections 6.05 and 6.06. Notwithstanding the foregoing, any Restricted Payment that would otherwise not be permitted by this Section shall be permitted if the Public Debt Ratings at the time are Baa2 and BBB or better.

SECTION 6.09. Restricted Agreements. Neither Parent nor the Borrower will, nor will they permit any Subsidiary Loan Party to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of Parent, the Borrower or any other Loan Party to create, incur or permit to exist any Lien upon any of its property or assets to secure the Obligations (or any credit facility that refinances or replaces this Agreement); provided that (a) the foregoing shall not apply to restrictions and conditions imposed by (i) law or (ii) any Loan Document, (b) the foregoing shall not apply to restrictions and conditions existing on the Restatement Effective Date contained in any of the instruments, indentures and other agreements identified on Schedule 6.09 or any extension, renewal, supplement, amendment or other modification of any thereof or any additional such instrument, indenture or other agreement so long as, in each case, any such prohibition, restriction or condition contained therein is not more restrictive in any material respect than the prohibitions, restrictions and conditions contained in the instruments, indentures and other agreements identified on Schedule 6.09 as in effect on the Restatement Effective Date (provided that the foregoing shall not permit the restrictions and conditions contained in the Bloomingdale's Lease to be in any other instrument, indenture or agreement), (c) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary Loan Party or any assets pending such sale, provided that such restrictions and conditions apply only to the Subsidiary Loan Party or assets that is or are to be sold and such sale is permitted hereunder, (d) the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by clause (d) or (h) of Section 6.02 if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (e) the foregoing shall not apply to customary provisions in leases restricting the assignment thereof.

SECTION 6.10. Bloomingdale's.

(a) Parent and the Borrower will not permit Bloomingdale's or any of its subsidiaries to create, assume or suffer to exist any "Guaranties" or "Debt", or make or hold any "Investments" other than "Permitted Investments" (as each such quoted term is defined in the Bloomingdale's Lease), other than those existing as of December 18, 2008, and Guarantees made under the Guarantee Agreement, if the effect of such "Guaranties", "Debt" or "Investments" is to reduce the maximum liability of the Bloomingdale's Parties under the Guarantee Agreement; provided that, notwithstanding the foregoing, additional such "Guaranties", "Debt" and "Investments" shall be permitted in an aggregate amount that would not at any time result in the maximum liability of the Bloomingdale's Parties under the Guarantee Agreement being more than \$125,000,000 less than such maximum liability would have been at such time had no such additional "Guaranties", "Debt" or "Investments" been incurred or made.

(b) Parent and the Borrower will not permit any Subsidiary Loan Party that is not a Bloomingdale's Party (i) to sell, transfer or otherwise dispose of any real property owned by it to Bloomingdale's or any of its subsidiaries, (ii) to merge or consolidate with or into Bloomingdale's or any of its subsidiaries or (iii) to become a subsidiary of Bloomingdale's, in each case if, after giving effect thereto, the maximum liability of the Bloomingdale's Parties under the Guarantee Agreement would be reduced by more than 10%;

provided that the foregoing restrictions set forth in clauses (ii) and (iii) shall not apply to (A) Bloomingdale's By Mail Ltd., a New York corporation, (B) Bloomingdale's, LLC, an Ohio limited liability company or (C) the assets comprising Bloomingdales.com, a division of Bloomingdale's.

(c) Parent and the Borrower will not permit any amendment or modification to the Bloomingdale's Lease that would have the effect of reducing the maximum liability of the Bloomingdale's Parties under the Guarantee Agreement.

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower or Parent shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made by or on behalf of any Loan Party in or in connection with any Loan Document shall prove to have been incorrect in any material respect when made or deemed made;

(d) either Parent or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.01(c) or (e), 5.02 (with respect to Parent's or the Borrower's existence) or 5.07 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Paying Agent to Parent or the Borrower (which notice will be given at the request of any Lender);

(f) Parent, the Borrower or any other Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable grace periods);

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (after giving effect to any applicable grace periods) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Parent, the Borrower or any other Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, the Borrower or any other Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Parent, the Borrower or any other Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, the Borrower or any other Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) Parent, the Borrower or any other Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$150,000,000 shall be rendered against Parent, the Borrower, any other Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of Parent, the Borrower or any other Subsidiary to enforce any such judgment; provided that any such judgments shall only result in an Event of Default under this clause (k) if and to the extent that the aggregate amount of such judgments not covered by a valid and binding policy of insurance between the defendant and the insurer covering the payment thereof exceeds \$150,000,000 so long as such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgments;

(l) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of Parent, the Borrower or any other Subsidiary in an aggregate amount exceeding \$150,000,000;

(m) any Guarantor's Guarantee of the Obligations purported to be created under the Guarantee Agreement shall cease to be, or shall be asserted by any Loan Party not to be, in full force and effect (other than in accordance with the express terms of any Loan Document); or

(n) a Change in Control shall occur;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Paying Agent may, and at the request of the Required Lenders shall, by notice to Parent or the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Loan Parties accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Loan Parties accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties.

ARTICLE VIII

The Agents

Each of the Lenders and the Issuing Banks hereby irrevocably appoints each Agent as its agent and authorizes each Agent to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Each bank serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Parent, the Borrower or any other Subsidiary or other Affiliate thereof as if it were not an Agent hereunder.

No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Parent, the Borrower or any of the other Subsidiaries that is communicated to or obtained by the bank serving as an Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given such Agent by Parent, the Borrower or a Lender, and no Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for Parent or the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as such Agent.

Subject to the appointment and acceptance of a successor Paying Agent or Administrative Agent as provided in this paragraph, the Paying Agent or an Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and Parent. Upon any such resignation, the Required Lenders shall have the right with the consent of Parent (not to be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Paying Agent or Administrative Agent, as the case may be, gives notice of its resignation, then the retiring Paying Agent or Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Paying Agent or Administrative Agent, as applicable, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Paying Agent or Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Paying Agent or Administrative Agent, as applicable, and the retiring Paying Agent or Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by either Parent or the Borrower to a successor Paying Agent or Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between such Loan Party and such successor. After the Paying Agent's or Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Paying Agent or Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Paying Agent or Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to Parent or the Borrower, to it at Macy's, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202, Attention of the Chief Financial Officer, with a copy to the General Counsel (other than in the case of any notice or communication provided for under Article II) (Telecopy No. (513) 579-7462);

(ii) if to the Paying Agent or JPMorgan Chase Bank, N.A. as Administrative Agent, Issuing Bank or Swingline Lender, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fanin Street, Houston, Texas 77002, Attention of Jennifer Anyigbo (Telecopy No. (713) 750-2782), with a copy to JPMorgan Chase Bank, N.A., 270 Park Avenue, New York, New York 10017, Attention of Barry Bergman (Telecopy No. (212) 270-6637);

(iii) if to Bank of America, N.A., as Administrative Agent, Issuing Bank or Swingline Lender, to it at 2001 Clayton Road, Building B, 2nd Floor, CA4-704-02-25, Concord, California 94520. Attention of GK Lapitan (Telecopy No. (888) 969-9170); and

(iv) if to any other Lender, Swingline Lender or Issuing Bank, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Paying Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Paying Agent and the applicable Lender. The Paying Agent, Parent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (A) No failure or delay by the Paying Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Paying Agent, the Issuing Banks and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Paying Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(c) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Parent, the Borrower and the Required Lenders or by Parent, the Borrower and the Paying Agent with the consent of the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Paying Agent and the Loan Party or Loan Parties that are parties thereto with the consent of the Required Lenders; provided that no such agreement shall (i) except as contemplated by Section 2.20, increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender or (vi) release Parent from its Guarantee under the Guarantee Agreement or limit its liability thereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent, an Issuing Bank or a Swingline Lender hereunder without the prior written consent of such Agent, such Issuing Bank or such Swingline Lender, as the case may be. Notwithstanding the foregoing, the consent of the Required Lenders shall not be required to amend this Agreement to increase the Total Commitments pursuant to Section 2.20.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by each Agent and its Affiliates, including the reasonable fees, charges and disbursements of one outside counsel (and any local counsel where appropriate) for the Agents, collectively, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by any Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for any Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify each Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnatee”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by an Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to an Agent, an Issuing Bank or a Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to such Agent, such Issuing Bank or such Swingline Lender, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that (i) the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent, such Issuing Bank or such Swingline Lender in its capacity as such and (ii) if an Issuing Bank separately agrees, as contemplated by the last sentence of Section 2.06(f), to be subject to a standard of care different than that set forth therein, no Lender shall be liable to such Issuing Bank hereunder for any greater amount than would have been due if such Issuing Bank had not agreed to such different standard of care.

(d) To the extent permitted by applicable law, neither Parent nor the Borrower shall assert, and each hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated hereby, the Transactions or the other transactions contemplated hereby, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), except that (i) neither Parent nor the Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by Parent or the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) Parent or the Borrower; provided that no consent of Parent or the Borrower shall be required for an assignment to a Lender or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Paying Agent; provided that no consent of the Paying Agent shall be required for an assignment of a Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment; and

(C) each Issuing Bank and each Swingline Lender; provided that no consent of an Issuing Bank or a Swingline Lender shall be required for an assignment of a Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Competitive Loans, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Paying Agent) shall not be less than \$10,000,000, unless each of the Borrower (or Parent) and the Paying Agent otherwise consent; provided that no such consent of the Borrower (or Parent) shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement; provided that this clause shall not apply to rights in respect of outstanding Competitive Loans;

(C) the parties to each assignment shall execute and deliver to the Paying Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Paying Agent an Administrative Questionnaire.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Paying Agent, acting for this purpose as an agent of the Loan Parties, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Loan Parties, the Agents, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Paying Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Loan Parties, the Agents, the Issuing Banks or the Swingline Lenders, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Loan Parties, the Agents, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Loan Parties agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with a Loan Party's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless a Loan Party is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Loan Parties, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and thereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any other Loan Document or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to any Agent, Lender or Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Paying Agent and when the Paying Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto (other than the Borrower), and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Loan Party against any of and all the obligations of such Loan Party now or hereafter existing under any Loan Document held by such Lender, irrespective of whether or not such Lender shall have made any demand under any Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of Parent and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that any Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Parent, the Borrower or their respective properties in the courts of any jurisdiction.

(c) Each of Parent and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Agents, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of Parent or the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than Parent or the Borrower. For the purposes of this Section, "Information" means all information received from Parent or the Borrower relating to Parent or the Borrower or their respective businesses, other than any such information that is available to any Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by Parent or the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Patriot Act. Each Lender hereby notifies the Loan Parties that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender to identify the Loan Parties in accordance with the Act.

SECTION 9.15. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due under this Agreement in dollars into another currency, the parties hereto agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Paying Agent could purchase dollars with such other currency in New York, New York, on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Borrower in respect of any sum due to the Paying Agent, any Lender or any Issuing Bank hereunder in dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than dollars, be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency, the Paying Agent, such Lender or such Issuing Bank may in accordance with normal banking procedures purchase dollars in the amount originally due to the Paying Agent, such Lender or such Issuing Bank with the judgment currency. If the amount of dollars so purchased is less than the sum originally due to the Paying Agent, such Lender or such Issuing Bank, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Paying Agent, such Lender or such Issuing Bank against the resulting loss.

Schedule 2.01

<u>Lender</u>	<u>Commitments</u>
JPMorgan Chase Bank, N.A.	\$ [Redacted]
Bank of America National Association	[Redacted]
Credit Suisse, Cayman Branch	[Redacted]
Citibank, National Association	[Redacted]
U.S. Bank National Association	[Redacted]
Wells Fargo Bank, National Association	[Redacted]
The Bank of New York	[Redacted]
PNC Bank, National Association	[Redacted]
Fifth Third Bank	[Redacted]
The Royal Bank of Scotland PLC	[Redacted]
Wachovia Bank, National Association	[Redacted]
Standard Chartered Bank	[Redacted]
Union Bank of California, National Association	[Redacted]
William Street Commitment Corporation	[Redacted]
Banca Nazionale del Lavoro SpA, New York Branch	[Redacted]
First Hawaiian Bank	[Redacted]
Total	\$2,000,000,000

Schedule 6.01
Existing Indebtedness

(\$000) Amount as of January 3, 2009

Description of Debt	Amount of Debt
Commercial Paper	
\$2 billion program	\$ 0
Capitalized Leases	\$ 35,431
Deutsche Bank Trust Company, as trustee	\$ 33,095
Venture Griffith	\$ 655
Bellevue	\$ 4,538
Indenture dated as of December 15, 1994	
U.S. Bank, N.A. as Trustee	\$ 465,442
Indenture dated as of September 10, 1997	
U.S. Bank, N.A. as Trustee	\$ 1,626,129
Indenture dated as of July 20, 2004	
Bank of New York as Trustee	\$ 1,800,000
Indenture dated as of June 17, 1996	
Bank of New York as Trustee	\$ 1,298,375
Amended and Restated Indenture dated as of January 15, 1991	
Bank of New York as Trustee	\$ 432,383
Indenture dated as of November 2, 2006	
U.S. Bank, N.A. as Trustee	\$ 3,700,000

Schedule 6.02**Existing Liens**

Mortgage Debt
(\$000)

<u>Obligor</u>	<u>Property/Location</u>	<u>Amount (1/03/09)</u>
Macy's Retail Holdings, Inc.	Venture Griffith	\$ 655
	Bellevue	\$ 4,538
Macy's Retail Holdings, Inc.	Deutsche Bank (various)	\$ 33,095
Macy's California Realty, LLC		
Total		\$ 38,243

Liens and security interests granted in connection with the Debt referenced below, pursuant to the principal instructions below and other related security instruments and affecting the collateral identified below.

<u>Debt</u>	<u>Principal Instrument</u>	<u>Collateral/Property Encumbered</u>
Capitalized Leases	Miscellaneous leases regarding real and personal property leased by Borrower and its subsidiaries, which leases meet certain accounting criteria that requires that they be capitalized for account purposes only	Miscellaneous real and personal property leased by Borrower and its subsidiaries

Schedule 6.09

Restricted Agreements

Indenture dated as of December 15, 1994

U.S. Bank, N.A. as Trustee

- ☐ Eighth Supplemental Indenture to the December 15, 1994 Indenture, dated as of July 14, 1997
U.S. Bank, N.A., as Trustee
- ☐ Ninth Supplemental Indenture to the December 15, 1994 Indenture, dated as of July 14, 1997
U.S. Bank, N.A., as Trustee
- ☐ Tenth Supplemental Indenture to the December 15, 1994 Indenture, dated as of August 30, 2005
U.S. Bank, N.A., as Trustee
- ☐ Guarantee of Securities, dated as of August 30, 2005, by Macy's, Inc. relating to the December 15, 1994 Indenture

Indenture dated as of September 10, 1997

U.S. Bank, N.A. as Trustee

- ☐ First Supplemental Indenture to the September 10, 1997 Indenture, dated as of February 6, 1998
U.S. Bank, N.A., as Trustee
- ☐ Third Supplemental Indenture to the September 10, 1997 Indenture, dated as of March 24, 1999
U.S. Bank, N.A., as Trustee
- ☐ Fourth Supplemental Indenture to the September 10, 1997 Indenture, dated as of June 6, 2000
U.S. Bank, N.A., as Trustee
- ☐ Fifth Supplemental Indenture to the September 10, 1997 Indenture, dated as of March 27, 2001
U.S. Bank, N.A., as Trustee
- ☐ Seventh Supplemental Indenture to the September 10, 1997 Indenture, dated as of August 30, 2005
U.S. Bank, N.A., as Trustee
- ☐ Guarantee of Securities, dated as of August 30, 2005, by Macy's, Inc. relating to the September 10, 1997 Indenture

Amended and Restated Indenture dated as of January 15, 1991
Bank of New York Mellon, as Trustee

Indenture dated as of June 17, 1996
Bank of New York as Trustee

- ☐ First Supplemental Indenture to the June 17, 1996 Indenture, dated as of August 30, 2005
Bank of New York Mellon, as Trustee

Indenture dated as of July 20, 2004
Bank of New York Mellon, as Trustee

- ☐ First Supplemental Indenture to the July 20, 2004 Indenture, dated as of August 30, 2005
Bank of New York Mellon, as Trustee

Indenture dated as of November 2, 2006
U.S. Bank, N.A. as Trustee

- ☐ First Supplemental Indenture to the November 2, 2006 Indenture, dated as of November 29, 2006
U.S. Bank, N.A. as Trustee
- ☐ Second Supplemental Indenture to the November 2, 2006 Indenture, dated as of March 12, 2007
U.S. Bank, N.A. as Trustee
- ☐ Third Supplemental Indenture to the November 2, 2006 Indenture, dated as of March 12, 2007
U.S. Bank, N.A. as Trustee
- ☐ Fourth Supplemental Indenture to the November 2, 2006 Indenture, dated as of August 31, 2007
U.S. Bank, N.A. as Trustee
- ☐ Fifth Supplemental Indenture to the November 2, 2006 Indenture, dated as of June 26, 2008
U.S. Bank, N.A. as Trustee

Amended and Restated Lease between B. Bros. Realty Limited Partnership, as Landlord, and Bloomingdale's, Inc., as Tenant, dated as of February 1, 1998

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

Reference is made to the Amended and Restated Credit Agreement dated as of August 30, 2007, as amended and restated as of January 5, 2009 (as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Macy's, Inc. (formerly known as Federated Department Stores, Inc.) ("Parent"), Macy's Retail Holdings, Inc. (formerly known as Federated Retail Holdings, Inc.) (the "Borrower"), the Lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Administrative Agents and JPMorgan Chase Bank, N.A., as Paying Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sells and assigns, without recourse, the Assignee named below, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including the interests set forth below in the Commitment of the Assignor on the Assignment Date and Competitive Loans and Revolving Loans owing to the Assignor which are outstanding on the Assignment Date, together with the participations in Letters of Credit and LC Disbursements held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Paying Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.17(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Paying Agent, duly completed by the Assignee.

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

Date of Assignment: []

Legal Name of Assignor: []

Legal Name of Assignee: []

Assignee's Address for Notices: []

Effective Date of Assignment
("Assignment Date"): []

<u>Facility</u>	<u>Principal Amount Assigned (and identifying information as to individual Competitive Loans)</u>	<u>Percentage Assigned of Facility and Commitment (set forth, to at least 8 decimals, as a percentage of the total Facility and the aggregate Commitments of all Lenders thereunder)</u>
Commitment Assigned:		
Revolving Loans:		
Competitive Loans:		

The terms hereof are hereby agreed to:

[], as Assignor

By: _____
Name:
Title:

[], as Assignee

By: _____
Name:
Title:

The undersigned hereby consent to the within assignment:

Macy's, Inc.,

Macy's Retail Holdings, Inc.,

By: _____
Name:
Title:

By: _____
Name:
Title:

JPMorgan Chase Bank, N.A., as Paying Agent, Issuing Bank and
Swingline Lender,

Bank of America, N.A., as Issuing Bank and Swingline Lender,

By: _____
Name:
Title:

By: _____
Name:
Title:

[], as [Issuing Bank] [and] [Swingline Lender],

By: _____
Name:
Title:

AMENDED AND RESTATED GUARANTEE AGREEMENT

dated as of

January 5, 2009,

among

MACY'S, INC.

(formerly known as FEDERATED DEPARTMENT STORES, INC.)

MACY'S RETAIL HOLDINGS, INC.

(formerly known as FEDERATED RETAIL HOLDINGS, INC.)

THE SUBSIDIARY GUARANTORS PARTY HERETO

and

JPMORGAN CHASE BANK, N.A.,

as Paying Agent

[Reference No. 6701-495]

TABLE OF CONTENTS

ARTICLE I

Definitions

SECTION 1.01. Credit Agreement	1
SECTION 1.02. Other Defined Terms	2

ARTICLE II

Guarantee

SECTION 2.01. Guarantee	3
SECTION 2.02. Guarantee of Payment	3
SECTION 2.03. Limitations	3
SECTION 2.04. Reinstatement	4
SECTION 2.05. Agreement To Pay; Subrogation	4
SECTION 2.06. Information	4

ARTICLE III

Indemnity, Subrogation and Subordination

SECTION 3.01. Indemnity and Subrogation	5
SECTION 3.02. Contribution and Subrogation	5
SECTION 3.03. Subordination	5

ARTICLE IV

Miscellaneous

SECTION 4.01. Notices	6
SECTION 4.02. Waivers; Amendment	6
SECTION 4.03. Successors and Assigns	6
SECTION 4.04. Survival of Agreement	6
SECTION 4.05. Counterparts; Effectiveness; Several Agreement	7
SECTION 4.06. Severability	7
SECTION 4.07. Right of Set-Off	7
SECTION 4.08. Governing Law	7
SECTION 4.09. Headings	8
SECTION 4.10. Termination or Release	8

Schedule A – List of Initial Subsidiary Guarantors

Schedule B – Subordination Terms

Exhibit A – Supplement to the Amended and Restated Guarantee Agreement

AMENDED AND RESTATED GUARANTEE AGREEMENT dated as of January 5, 2009, among MACY'S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC.) ("Parent"), MACY'S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC.) (the "Borrower"), the SUBSIDIARY GUARANTORS party hereto and JPMORGAN CHASE BANK, N.A., as Paying Agent.

Reference is made to (a) the Amended and Restated Credit Agreement dated as of August 30, 2007 (as in effect on the date hereof, the "Existing Credit Agreement") among Parent, the Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as administrative agents and JPMorgan Chase Bank, N.A., as paying agent and (b) the Amended and Restated Guarantee Agreement dated as of August 30, 2007 (as in effect on the date hereof, the "Existing Guarantee Agreement") among Parent, the Borrower and JPMorgan Chase Bank, N.A., as paying agent. The Existing Credit Agreement is being amended and restated pursuant to and in accordance with the Amendment and Restatement Agreement dated as of December 18, 2008 (the "Amendment and Restatement Agreement") among Parent, the Borrower, the Lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Administrative Agents and JPMorgan Chase Bank, N.A., as Paying Agent (the Existing Credit Agreement, as so amended and restated, by the Amendment and Restatement Agreement, and as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). The amendment and restatement of the Existing Credit Agreement pursuant to the Amendment and Restatement Agreement is conditioned upon, among other things, the execution and delivery of this Agreement. Parent is the parent company of the Borrower, will derive substantial benefits from the extension of credit to the Borrower pursuant to the Credit Agreement and is willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. The Subsidiary Guarantors are subsidiaries of the Borrower, will derive substantial benefits from the extension of credit to the Borrower pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Credit Agreement. (a) Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Credit Agreement.

(b) The rules of construction specified in Section 1.03 of the Credit Agreement also apply to this Agreement.

SECTION 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Claiming Party” has the meaning assigned to such term in Section 3.02 of this Agreement.

“Contributing Party” has the meaning assigned to such term in Section 3.02 of this Agreement.

“Credit Agreement” has the meaning assigned to such term in the preliminary statement of this Agreement.

“Credit Parties” means (a) the Lenders, (b) the Agents, (c) the Issuing Banks, (d) the beneficiaries of the Borrower’s indemnification obligations under the Credit Agreement and (e) the successors and assigns of each of the foregoing.

“Guarantors” means Parent and the Subsidiary Guarantors.

“Obligations” means the due and punctual payment by the Borrower of (a) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) and obligations to provide cash collateral, and (c) all other monetary obligations of the Borrower to any of the Credit Parties under the Credit Agreement and each of the other Loan Documents, including obligations to pay fees, expense reimbursement obligations and indemnification obligations, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding).

“Subsidiary Guarantor” means, at any time, any Subsidiary Loan Party that is party to this Agreement at such time, except any such Subsidiary Loan Party the Guarantee hereunder of which has been released and terminated in accordance with the terms of this Agreement. The initial Subsidiary Guarantors are listed on Schedule A.

SECTION 1.03. Restatement. This Agreement amends and restates the Existing Guarantee Agreement in its entirety.

ARTICLE II

Guarantee

SECTION 2.01. Guarantee. Subject to the limitations set forth herein, each of the Guarantors unconditionally guarantees, as a primary obligor and not merely as a surety, the due and punctual payment of the Obligations. Each of the Guarantors further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation. Each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. Notwithstanding any other provision of this Agreement, the maximum liability of the Bloomingdale's Parties with respect to the Obligations under this Agreement at any time of determination shall be limited to the difference of (a) the maximum liability that the Bloomingdale's Parties may have under this Agreement without causing Bloomingdale's to fail to be in compliance with Section 26.15 of the Bloomingdale's Lease minus (b) \$10,000,000.

SECTION 2.02. Guarantee of Payment. Each of the Guarantors further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Paying Agent or any other Credit Party to any security held for the payment of the Obligations or to any balance of any deposit account or credit on the books of the Paying Agent or any other Credit Party in favor of the Borrower or any other Person.

SECTION 2.03. Limitations. (a) Except for (x) termination of a Guarantor's obligations hereunder as expressly provided in Section 4.10 and (y) the limitations with respect to the Bloomingdale's Parties set forth in Section 2.01, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by (i) the failure of the Paying Agent or any other Credit Party to assert any claim or demand or to enforce any right or remedy under the provisions of any Loan Document or otherwise; (ii) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, any Loan Document or any other agreement; (iii) the release of any security held by the Paying Agent or any other Credit Party for the Obligations or any of them; (iv) any default, failure or delay, wilful or otherwise, in the payment of the Obligations; or (v) any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the payment in full in cash of all the Obligations). Each of the Guarantors expressly authorizes the Credit Parties to take and hold security for the payment and performance of the Obligations, to exchange, waive or release any or all such security (with or without consideration), to enforce or apply such security and direct the order and manner of any sale thereof in their sole discretion or to release or substitute any one or more other guarantors or obligors upon or in respect of the Obligations, all without affecting the obligations of any of the Guarantors hereunder.

(b) To the fullest extent permitted by applicable law, each Guarantor waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the payment in full in cash of all the Obligations. The Paying Agent and the other Credit Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or exercise any other right or remedy available to them against the Borrower, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been paid in full in cash. To the fullest extent permitted by applicable law, each Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any security.

SECTION 2.04. Reinstatement. Each Guarantor agrees that its guarantee hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Paying Agent or any other Credit Party upon the bankruptcy or reorganization of the Borrower or otherwise. The provisions of this Section 2.04 shall survive any termination or release under Section 4.10.

SECTION 2.05. Agreement To Pay; Subrogation. In furtherance of the foregoing and not in limitation of any other right that the Paying Agent or any other Credit Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Paying Agent for distribution to the applicable Credit Parties in cash the amount of such unpaid Obligation. Upon payment by any Guarantor of any sums to the Paying Agent as provided above, all rights of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subject to Article III.

SECTION 2.06. Information. Each of the Guarantors assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Paying Agent or the other Credit Parties will have any duty to advise such Guarantor of information known to it or any of them regarding such circumstances or risks.

ARTICLE III

Indemnity, Subrogation and Subordination

SECTION 3.01. Indemnity. In addition to all such rights of indemnity and subrogation as each of the Subsidiary Guarantors may have under applicable law (but subject to Section 3.03), Parent and the Borrower jointly and severally agree that, in the event a payment in respect of any Obligation shall be made by any Subsidiary Guarantor under this Agreement, Parent and the Borrower shall indemnify such Subsidiary Guarantor for the full amount of such payment and such Subsidiary Guarantor shall be subrogated to the rights of the Person to whom such payment shall have been made to the extent of such payment.

SECTION 3.02. Contribution and Subrogation. Each Subsidiary Guarantor (a “Contributing Party”) agrees (subject to Section 3.03) that, in the event a payment shall be made by any other Subsidiary Guarantor hereunder in respect of any Obligation and such other Subsidiary Guarantor (the “Claiming Party”) shall not have been fully indemnified by Parent and the Borrower as provided in Section 3.01, the Contributing Party shall indemnify the Claiming Party in an amount equal to the amount of such payment multiplied by a fraction of which the numerator shall be the net worth of the Contributing Party on the date hereof and the denominator shall be the aggregate net worth of all the Subsidiary Guarantors on the date hereof (or, in the case of any Subsidiary Guarantor becoming a party hereto after the date hereof, the date of the supplement hereto executed and delivered by such Subsidiary Guarantor); provided, however, that in the case of the Bloomingdale’s Parties, the numerator of the foregoing fraction shall be the maximum liability of the Bloomingdale’s Parties hereunder determined in accordance with Section 2.01. Any Contributing Party making any payment to a Claiming Party pursuant to this Section 3.02 shall be subrogated to the rights of such Claiming Party under Section 3.01 to the extent of such payment.

SECTION 3.03. Subordination. (a) Notwithstanding any provision of this Agreement to the contrary, all rights of each Subsidiary Guarantor under Sections 3.01 and 3.02 and all other rights of each Guarantor in respect of indemnity, contribution or subrogation under applicable law or otherwise, shall be fully subordinated to the indefeasible payment in full in cash of the Obligations on the terms set forth in Schedule B hereto. No failure on the part of the Borrower or any Guarantor to make the payments required by Sections 3.01 and 3.02 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

(b) Each of the Borrower and the Guarantors hereby agrees that all Indebtedness and other monetary obligations owed by it to Parent, the Borrower or any other Subsidiary shall be fully subordinated to the indefeasible payment in full in cash of the Obligations on the terms set forth in Schedule B hereto.

ARTICLE IV

Miscellaneous

SECTION 4.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices to any Subsidiary Guarantor shall be given to such Subsidiary Guarantor in care of the Borrower.

SECTION 4.02. Waivers; Amendment. (a) No failure or delay by any Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under the Credit Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents, the Issuing Banks and the Lenders hereunder and under the Credit Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 4.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time. No notice or demand on any Loan Party in any case shall entitle any Loan Party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Paying Agent and the Loan Party or Loan Parties with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 4.03. Successors and Assigns. Whenever in this Agreement any party hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Guarantor, the Borrower or the Paying Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 4.04. Survival of Agreement. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any Lender or on its behalf and notwithstanding that any Agent, any Issuing Bank or any Lender may

have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under any Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated.

SECTION 4.05. Counterparts; Effectiveness; Several Agreement. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute single contract. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective when it shall have been executed by the Paying Agent and when the Paying Agent shall have received counterparts hereof which, when taken together, bear the signatures of each Loan Party, and thereafter shall be binding upon each Loan Party and the Paying Agent, and shall inure to the benefit of each Loan Party, the Paying Agent and the other Credit Parties and their respective successors and assigns, except that no Loan Party shall have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the Credit Agreement.

SECTION 4.06. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 4.07. Right of Set-Off. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Guarantor against any of and all the obligations of such Guarantor now or hereafter existing under this Agreement owed to such Lender, irrespective of whether or not any demand for payment thereof has been made under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section 4.07 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

SECTION 4.08. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

SECTION 4.09. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 4.10. Termination or Release. (a) Subject to Section 2.04, this Agreement and the guarantees made herein shall terminate when the Commitments have terminated, all the Obligations have been paid in full, the LC Exposure has been reduced to zero and the Issuing Banks have no further obligations to issue Letters of Credit under the Credit Agreement.

(b) At any time that either Public Debt Rating shall be Baa1 or BBB+ or better (provided that neither the Moody's rating nor the S&P rating is more than one notch worse than the other), the Borrower may by written notice to the Paying Agent release and terminate the Guarantees hereunder by one or more of the Subsidiary Guarantors to the extent doing so would not result in a failure to be in compliance with clause (ii) of Section 5.08(b) of the Credit Agreement.

(c) A Subsidiary Guarantor shall automatically be released from its obligations hereunder and shall cease to be a party hereto upon the consummation of any transaction permitted by the Credit Agreement as a result of which such Subsidiary Guarantor ceases to be a Subsidiary; provided that the Required Lenders shall have consented to such transaction (to the extent required by the Credit Agreement) and the terms of such consent did not provide otherwise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

MACY’S, INC.,

by /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Executive Vice President and Chief
Financial Officer

MACY’S RETAIL HOLDINGS, INC.,

by /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Vice President and Chief Financial Officer

BLOOMINGALE’S ATLANTIC CITY, INC.,

By /s/ Stephen J. O’Bryan
Name: Stephen J. O’Bryan
Title: Assistant Secretary

DAYTON’S IRON HORSE LIQUORS, INC.,

by /s/ Warren P. Wolfe
Name: Warren P. Wolfe
Title: President

MACY’S GC SALES, INC.,

by /s/ Richard A. Cohen
Name: Richard A. Cohen
Title: President

MACY’S HAMILTON BY APPOINTMENT, INC.,

by /s/ Stephen J. O’Bryan
Name: Stephen J. O’Bryan
Title: Secretary

MARSHALL FIELDS CHICAGO, INC.,

by /s/ Warren P. Wolfe
Name: Warren P. Wolfe
Title: President

MAYFAIR WINE & LIQUOR SHOP, INC.,

by /s/ Dennis J. Broderick
Name: Dennis J. Broderick
Title: President

ROOFTOP, INC.,

by /s/ Warren P. Wolfe
Name: Warren P. Wolfe
Title: President

MINOOKA EXCHANGE, LLC ,

by /s/ Dennis J. Broderick
Name: Dennis J. Broderick
Title: President

22 East Advertising Agency, Inc.
22 East Reality Corporation
Bloomingdale's By Mail Ltd.
Bloomingdale's Gift Card, LLC
Bloomingdale's, Inc.
Bloomingdale's, LLC
Central Regional Claims Corporation
Charleston Stores Corporation
Jordan Servicenter, Inc.
Kaufmann's Carousel, Inc.
Laurel Plaza Development I, Inc.
Macy's California Realty, LLC
Macy's Central, LLC
Macy's Corporate Services, Inc.
Macy's Credit and Customer Services, Inc.
Macy's Department Stores, Inc.
Macy's East, LLC
Macy's Florida Stores, LLC
Macy's Florida, LLC
Macy's Gift Card, LLC
Macy's Home Store, LLC
Macy's Insurance, Inc.
Macy's Merchandising Group International, LLC
Macy's Systems and Technology, Inc.

Macy's Systems Leasing, Inc.
Macy's Texas, Inc.
Macy's West, LLC
Macys.com, Inc.
May Company Montgomery Condominium LLC
May Credit Corporation
May Properties of Maryland, Inc.
May Stores IV, Inc.
May Stores VIII, Inc.
McIre One, Inc.
MF Distribution Center of Illinois LLC
MF Fargo-Grand Forks-Bismarck Stores LLC
MF Grape-Coldwater Stores LLC
MOA Rest, Inc.
Nimbus Store LLC
Nutmeg Acquisition Corporation
OBP, LLC
R.H. Macy Holdings (HK), Ltd.
R.H. Macy Warehouse (HK), Ltd.
Silver Spring Condo Corporation
Southdale Stores LLC
SWDC Investment Company
Walden Stores Corporation

by /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Vice President

JPMORGAN CHASE BANK, N.A., as PAYING
AGENT,

by /s/ Barry Bergman
Name: Barry Bergman
Title: Managing Director

SCHEDULE A

LIST OF INITIAL SUBSIDIARY GUARANTORS

1. 22 East Advertising Agency, Inc., a Florida corporation
2. 22 East Reality Corporation, a Florida corporation
3. Bloomingdale's Atlantic City, Inc., a Delaware corporation
4. Bloomingdale's By Mail Ltd., a New York corporation
5. Bloomingdale's Gift Card, LLC, an Ohio limited liability company
6. Bloomingdale's, Inc., an Ohio corporation
7. Bloomingdale's, LLC, an Ohio limited liability company
8. Central Regional Claims Corporation, a Texas corporation
9. Charleston Stores Corporation, an Indiana corporation
10. Dayton's Iron Horse Liquors, Inc., a Minnesota corporation
11. Jordan Servicenter, Inc., a Delaware corporation
12. Kaufmann's Carousel, Inc., a Delaware corporation
13. Laurel Plaza Development I, Inc., a Delaware corporation
14. Macy's California Realty, LLC, a Delaware limited liability company
15. Macy's Central, LLC, an Ohio limited liability company
16. Macy's Corporate Services, Inc., a Delaware corporation
17. Macy's Credit and Customer Services, Inc., an Ohio corporation
18. Macy's Department Stores, Inc., an Ohio corporation
19. Macy's East, LLC, an Ohio limited liability company
20. Macy's Florida Stores, LLC, an Ohio limited liability company
21. Macy's Florida, LLC, an Ohio limited liability company
22. Macy's GC Sales, Inc., and Ohio corporation
23. Macy's Gift Card, LLC, an Ohio limited liability company
24. Macy's Hamilton By Appointment, Inc., a Delaware corporation
25. Macy's Home Store, LLC, an Ohio limited liability company
26. Macy's Insurance, Inc., an Ohio corporation
27. Macy's Merchandising Group International, LLC, a Delaware limited liability company
28. Macy's Systems and Technology, Inc., a Delaware corporation
29. Macy's Systems Leasing, Inc., a Delaware corporation
30. Macy's Texas, Inc., a Delaware corporation
31. Macy's West, LLC, an Ohio limited liability company
32. Macys.com, Inc., a New York corporation
33. Marshall Field's Chicago, Inc., a Delaware corporation
34. May Company Montgomery Condominium LLC, a Maryland limited liability company
35. May Credit Corporation, a Delaware corporation
36. May Properties of Maryland, Inc., a Delaware corporation
37. May Stores IV, Inc., a Delaware corporation
38. May Stores VIII, Inc., a Delaware corporation

-
39. Mayfair Wine & Liquor Shop, Inc., a Wisconsin corporation
 40. McIre One, Inc., a Delaware corporation
 41. MF Distribution Center of Illinois LLC, a Delaware limited liability company
 42. MF Fargo-Grand Forks-Bismarck Stores LLC, a Delaware limited liability company
 43. MF Grape-Coldwater Stores LLC, a Delaware limited liability company
 44. Minooka Exchange, LLC, an Ohio limited liability company
 45. MOA Rest, Inc., a Minnesota corporation
 46. Nimbus Store LLC, a Delaware limited liability company
 47. Nutmeg Acquisition Corporation, a Connecticut corporation
 48. OBP, LLC, a Tennessee limited liability company
 49. R.H. Macy Holdings (HK), Ltd., a Delaware corporation
 50. R.H. Macy Warehouse (HK), Ltd., a Delaware corporation
 51. Rooftop, Inc., a Minnesota corporation
 52. Silver Spring Condo Corporation, a Delaware corporation
 53. Southdale Stores LLC, a Delaware limited liability company
 54. SWDC Investment Company, a Connecticut corporation
 55. Walden Stores Corporation, an Indiana corporation

SCHEDULE B

Subordination Terms

ARTICLE I

DEFINITIONS

Capitalized terms used herein have the meanings set forth in the Amended and Restated Guarantee Agreement dated as of January 5, 2009 (the "Guarantee Agreement") among Macy's, Inc., Macy's Retail Holdings, Inc., the subsidiary guarantors party thereto and JPMorgan Chase Bank, N.A., as Paying Agent or, if not defined therein, then in the Credit Agreement referred to therein. In addition, as used herein the following terms shall have the following meanings:

"Senior Creditors" means the Credit Parties.

"Senior Obligations" means (a) with respect to the Borrower, the Obligations, and (b) with respect to any other Loan Party, all monetary obligations of such Loan Party under the Guarantee Agreement.

"Subordinated Creditors" means each of Parent, the Borrower and the other Subsidiaries.

"Subordinated Obligations" means, with respect to any Loan Party, all Indebtedness and other monetary obligations of such Loan Party at any time owing to any Subordinated Creditor (including any such obligations or other liabilities owing to any other Person for the direct or indirect benefit of any Subordinated Creditor).

ARTICLE II

SUBORDINATION

SECTION 2.1. Subordination. Each Subordinated Creditor hereby agrees that all the Subordinated Obligations of each Loan Party are hereby expressly subordinated, to the extent and in the manner set forth in this Article II, to the prior payment in full in cash of all Senior Obligations of such Loan Party in accordance with the terms hereof.

SECTION 2.2. Dissolution or Insolvency. Upon any distribution of the assets of any Loan Party or upon any dissolution, winding up, liquidation or reorganization of any Loan Party, whether in bankruptcy, insolvency, reorganization, arrangement or receivership proceedings or otherwise, or upon any assignment for the benefit of creditors or any other marshaling of the assets and liabilities of any Loan Party, or otherwise:

(a) the Senior Creditors of such Loan Party shall first be entitled to receive payment in full in cash of the Senior Obligations of such Loan Party in accordance with the terms of such Senior Obligations and the Loan Documents before any Subordinated Creditor shall be entitled to receive any payment on account of the Subordinated Obligations of such Loan Party, whether as principal, interest or otherwise; and

(b) any payment by, or distribution of the assets of, such Loan Party of any kind or character, whether in cash, property or securities, to which any Subordinated Creditor would be entitled except for the provisions hereof shall be paid or delivered by the Person making such payment or distribution (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Paying Agent to the extent necessary to make payment in full in cash of all Senior Obligations of such Loan Party remaining unpaid, after giving effect to any concurrent payment or distribution to the Senior Creditors in respect of the Senior Obligations, to be held and applied by the Paying Agent to payment of the Senior Obligations.

SECTION 2.3. Payment of Subordinated Obligations Prohibited Upon Exercise of Remedies. No payment (whether directly, by exercise of any right of set-off or otherwise) in respect of the Subordinated Obligations of any Loan Party, whether as principal, interest or otherwise, shall be permitted, and no such payment shall be received or accepted by or on behalf of any Subordinated Creditor, if an Event of Default has occurred and is continuing and the Commitments have been terminated pursuant to Article VII of the Credit Agreement.

SECTION 2.4. Certain Payments Held in Trust. In the event that any payment by, or distribution of the assets of, any Loan Party of any kind or character, whether in cash, property or securities, and whether directly, by exercise of any right of set-off or otherwise, shall be received by or on behalf of any Subordinated Creditor at a time when such payment is prohibited hereby, such payment or distribution shall be held in trust for the benefit of, and shall be paid over to, the Paying Agent to the extent necessary to make payment in full in cash of all Senior Obligations of such Loan Party remaining unpaid, after giving effect to any concurrent payment or distribution to the Senior Creditors in respect of such Senior Obligations, to be held and applied by the Paying Agent to satisfy the Senior Obligations.

SECTION 2.5. Subrogation. Subject to the prior indefeasible payment in full in cash of the Senior Obligations of a Loan Party, the applicable Subordinated Creditors of such Loan Party shall be subrogated to the rights of the Senior Creditors of such Loan Party to receive payments or distributions in cash, property or securities of such Loan Party applicable to such Senior Obligations until all amounts owing on the Subordinated Obligations of such Loan Party shall be paid in full, and as between and among a Loan Party, its creditors (other than its Senior Creditors) and the applicable Subordinated Creditors of such Loan Party, no such payment or distribution made to the Paying Agent by virtue hereof that otherwise would have been made to the Subordinated Creditors of such Loan Party shall be deemed to be a payment by such Loan Party on account of its Subordinated Obligations, it being understood that the provisions hereof are intended solely for the purpose of defining the relative rights of the Subordinated Creditors, on the one hand, and the Senior Creditors, on the other hand.

FORM OF SUPPLEMENT TO AMENDED AND RESTATED GUARANTEE
AGREEMENT

SUPPLEMENT NO. ___ dated as of [] (this "Supplement"), to the AMENDED AND RESTATED GUARANTEE AGREEMENT dated as of January 5, 2009 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement") among MACY'S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC.) ("Parent"), MACY'S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC.) (the "Borrower"), the SUBSIDIARY GUARANTORS party thereto (the "Subsidiary Guarantors") and JPMORGAN CHASE BANK, N.A., as Paying Agent.

A. Reference is made to the Amended and Restated Credit Agreement, dated as of August 30, 2007, as amended and restated as of January 5, 2009 (as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Parent, the Borrower, the Lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Administrative Agents, and JPMorgan Chase Bank, N.A., as Paying Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Guarantee Agreement referred to therein.

C. Section 5.08 of the Credit Agreement provides that Subsidiary Loan Parties that are not Subsidiary Guarantors under the Guarantee Agreement may be required to become Subsidiary Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "Additional Subsidiary") is executing this Supplement in accordance with the requirements of Section 5.08 of the Credit Agreement to become a Subsidiary Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Paying Agent and the Additional Subsidiary agree as follows:

SECTION 1. In accordance with Section 5.08 of the Credit Agreement, the Additional Subsidiary by its signature below becomes a Subsidiary Guarantor and a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor, and the Additional Subsidiary hereby agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Subsidiary Guarantor and Guarantor thereunder .

SECTION 2. The Additional Subsidiary represents and warrants to the Paying Agent and the other Credit Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Paying Agent shall have received a counterpart of this Supplement that bears the signature of the Additional Subsidiary and the Paying Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile or electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 4.01 of the Guarantee Agreement.

SECTION 8. The Borrower agrees to reimburse the Paying Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Paying Agent.

IN WITNESS WHEREOF, the Additional Subsidiary and the Paying Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[ADDITIONAL SUBSIDIARY],

by _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as
PAYING AGENT,

by _____
Name:
Title:

EXHIBIT C-1

JONES DAY LETTERHEAD

January 5, 2009

To the Lenders and the Agents
Referred to Below
c/o JPMorgan Chase Bank, N.A.
270 Park Avenue
New York NY, 10017

Re: Macy's, Inc.

Ladies and Gentlemen:

We have acted as special counsel to the entities listed on the attached Schedule 1 (collectively, the "Loan Parties" and each a "Loan Party") in connection with the amended and restated credit agreement dated as of August 30, 2007, as amended and restated as of January 5, 2009 (the "Credit Agreement"), among Macy's Inc., a Delaware corporation ("Macy's"), Macy's Retail Holdings, Inc., a New York corporation ("MRHI"), the lenders from time to time party thereto (collectively, the "Lenders"), JPMorgan Chase Bank, N.A. ("JPMorgan"), and Bank of America, N.A., as administrative agents (collectively, in such capacity, the "Agents" and each an "Agent"), and JPMorgan, as paying agent (in such capacity, the "Paying Agent"). This letter is delivered to you pursuant to Section 5(c) of the Amendment and Restatement Agreement, dated as of December 18, 2008 (the "Amendment and Restatement Agreement"), among Macy's, MRHI, the Administrative Agents and the Paying Agent. Capitalized terms used in this letter and not otherwise defined have the meanings assigned to such terms in the Credit Agreement. With your permission, all assumptions and statements of reliance in this letter have been made without any independent investigation or verification on our part except to the extent otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of the assumptions or items upon which we have relied.

In connection with the opinions expressed in this letter, we have examined such documents, records and matters of law as we have deemed necessary for the purposes of the opinions expressed below. We have examined, among other documents, the following:

- (a) an executed copy of the Amendment and Restatement Agreement;
- (b) an executed copy of the Guarantee Agreement (together with the Amendment and Restatement Agreement, the "Loan Documents"), and each, a "Loan Document"; and
- (c) the Officer's Certificate of the Loan Parties delivered to us in connection with this letter, a copy of which is attached as Annex A (the "Officer's Certificate").

In all such examinations, we have assumed the legal capacity of all natural persons executing documents, the genuineness of all signatures, the authenticity of original and certified documents and the conformity to original or certified copies of all copies submitted to us as conformed or reproduction copies. As to various questions of fact relevant to the opinions expressed in this letter, we have relied upon, and assume the accuracy of, representations and warranties contained in the Loan Documents and certificates and oral or written statements and other information of or from representatives of the Loan Parties and public officials. With respect to the opinions expressed in (i) and (ii) of paragraph 1 below, our opinions are limited to our review of only those laws and regulations that, in our experience, are normally applicable to transactions of the type contemplated by the Credit Agreement.

Based upon the foregoing, and subject to the limitations, qualifications and assumptions set forth in this letter, we are of the opinion that:

1. The execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance by such Loan Party of its obligations under the Loan Documents to which it is a party (i) do not require under present law, or present regulation of any governmental agency or authority, of the State of New York or the United States of America any filing or registration by such Loan Party with, or approval or consent of, any governmental agency or authority of the State of New York or of the United States of America or any other Person party to any of the agreements listed in the Officer's Certificate that has not been made or obtained except filings under securities laws; (ii) do not violate (a) any present law, or present regulation of any governmental agency or authority, of the State of New York, the United States of America or the General Corporate Law of the State of Delaware or (b) any agreement binding upon the Loan Parties or their property or any court decree or order binding upon such Loan Party or its property (this opinion being limited (1) to those agreements, decrees or orders that have been identified to us in the Officer's Certificate and (2) in that we express no opinion with respect to any violation not readily ascertainable from the face of any such agreement, decree or order or arising under or based upon any cross-default provision insofar as it relates to a default under an agreement not so identified to us or arising under or based upon any covenant of a financial or numerical nature or requiring computation); and (iii) will not result in or require the creation or imposition of any security interest or lien upon any of its properties under the provisions of any agreement binding upon such Loan Party or its properties other than any security interests and any rights of set-off or other liens in favor of the Agents or the Lenders arising under the Loan Documents or applicable law (this opinion being limited to those agreements that have been identified to us in the Officer's Certificate).

2. Each of the Loan Documents constitutes a valid, binding and enforceable obligation of each Loan Party thereto.

3. The borrowings by the Borrower under the Credit Agreement and the application of the proceeds of such borrowings as provided in the Credit Agreement will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System (the "Margin Regulations").

4. No Loan Party is required to register as an “investment company” (under and as defined in the Investment Company Act of 1940, as amended (the “1940 Act”)) or is a company controlled by a company required to register as such under the 1940 Act.

The opinions set forth above are subject to the following qualifications:

(A) Our opinions in paragraph 2 above are subject to (i) applicable bankruptcy, insolvency, reorganization, fraudulent transfer, voidable preference, moratorium, conservatorship, arrangement or similar laws and related regulations and judicial doctrines from time to time in effect affecting creditors’ rights and remedies generally and (ii) general principles of equity (including, without limitation, standards of materiality, good faith, fair dealing and reasonableness, equitable defenses, the exercise of judicial discretion and limits on the availability of equitable remedies), whether such principles are considered in a proceeding at law or in equity.

(B) We express no opinion as to the enforceability of any provision in the Loan Documents:

(i) relating to indemnification, contribution or exculpation in connection with violations of any securities laws or statutory duties or public policy or in connection with willful, reckless or unlawful acts or gross negligence of the indemnified or exculpated party or the party receiving contribution;

(ii) relating to exculpation of any party in connection with its own negligence that a court would determine in the circumstances under applicable law to be unfair or insufficiently explicit;

(iii) providing that any person or entity other than a Lender may exercise set-off rights other than in accordance with and under applicable law;

(iv) relating to choice of governing law to the extent that the enforceability of any such provision is to be determined by any court other than a court of the State of New York;

(v) providing that any person or entity may enforce any right or remedy thereunder except in compliance with applicable laws;

(vi) purporting to confer, or constituting an agreement with respect to, subject matter jurisdiction of United States federal courts to adjudicate any matter;

(vii) specifying that provisions of the Loan Documents may be waived only in writing, to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created that modifies any provision of the Loan Documents; or

(viii) giving any person or entity the power to accelerate obligations without any notice to the obligor.

(C) Our opinions as to enforceability are subject to the effect of generally applicable rules of law that:

(i) provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected; and

(ii) may, where less than all of a contract may be unenforceable, limit the enforceability of the balance of the contract to circumstances in which the unenforceable portion is not an essential part of the agreed exchange, or that permit a court to reserve to itself a decision as to whether any provision of any agreement is severable.

(D) We express no opinion as to the enforceability of any purported waiver, release, variation, disclaimer, consent or other agreement to similar effect (all of the foregoing, collectively, a "Waiver") by any Loan Party under any of the Loan Documents to the extent limited by provisions of applicable law (including judicial decisions), or to the extent that such a Waiver applies to a right, claim, duty or defense or a ground for, or a circumstance that would operate as, a discharge or release otherwise existing or occurring as a matter of law (including judicial decisions), except to the extent that such a Waiver is effective under and is not prohibited by or void or invalid under provisions of applicable law (including judicial decisions).

(E) To the extent it may be relevant to the opinions expressed herein, we have assumed that (i) each Loan Party is a corporation or limited liability company, as applicable, existing in good standing under the laws of the jurisdiction of organization of such Loan Party; (ii) each Loan Party has the corporate or limited liability company, as applicable, power and authority to enter into and to perform its obligations under the Loan Documents to which it is a party, (iii) the execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance by such Loan Party of its obligations under the Loan Documents to which it is a party (a) have been authorized by all necessary corporate or limited liability company, as applicable, action by such Loan Party and (b) do not contravene any provision of the certificate of incorporation, certificate of formation, bylaws, limited liability company agreement or other equivalent organizational document, as applicable, of such Loan Party; and (iv) each of the Loan Documents has been duly executed and delivered on behalf of each Loan Party that is a party thereto.

(F) To the extent it may be relevant to the opinions expressed herein, we have assumed that the parties to the Loan Documents (other than the Loan Parties) have the power to enter into and perform such documents and to consummate the transactions contemplated thereby and that such documents have been duly authorized, executed and delivered by, and constitute legal, valid and binding obligations of, such parties.

(G) For purposes of the opinions set forth in paragraph 3 above, we have assumed that (i) no Agent or any Lender has or will have the benefit of any agreement or arrangement (excluding the Loan Documents) pursuant to which any extensions of credit are directly or indirectly secured by Margin Stock (as defined in the Margin Regulations), (ii) no Agent or any Lender or any of their respective affiliates has extended or will extend any other credit to the Borrower directly or indirectly secured by Margin Stock, and (iii) no Agent or any Lender has relied or will rely upon any Margin Stock as collateral in extending or maintaining any extensions of credit pursuant to the Loan Documents.

The opinions expressed in this letter are limited to (i) the federal laws of the United States of America and the laws of the State of New York and (ii) to the extent relevant to the opinions expressed in (ii) of paragraph 1 above, the General Corporation Law of the State of Delaware, each as currently in effect. The opinions set forth in this letter are as of the date hereof and are limited to those expressly set forth in this letter, and we express no opinion by implication.

The opinions expressed in this letter are solely for the benefit of the addressees of this letter in connection with the transaction referred to in this letter and may not be relied on by such addressees for any other purpose, in any manner or for any purpose by any other person or entity.

Very truly yours,

JONES DAY

Schedule 1

Loan Parties

1. Macy's, Inc., a Delaware corporation
2. Bloomingdale's Atlantic City, Inc., a Delaware corporation
3. Jordan Servicenter, Inc., a Delaware corporation
4. Kaufmann's Carousel, Inc., a Delaware corporation
5. Laurel Plaza Development I, Inc., a Delaware corporation
6. Macy's California Realty, LLC, a Delaware limited liability company
7. Macy's Corporate Services, Inc., a Delaware corporation
8. Macy's Hamilton By Appointment, Inc., a Delaware corporation
9. Macy's Merchandising Group International, LLC, a Delaware limited liability company
10. Macy's Systems and Technology, Inc., a Delaware corporation
11. Macy's Systems Leasing, Inc., a Delaware corporation
12. Macy's Texas, Inc., a Delaware corporation
13. Marshall Field's Chicago, Inc., a Delaware corporation
14. May Credit Corporation, a Delaware corporation
15. May Properties of Maryland, Inc., a Delaware corporation
16. May Stores IV, Inc., a Delaware corporation
17. May Stores VIII, Inc., a Delaware corporation
18. McIre One, Inc., a Delaware corporation
19. MF Distribution Center of Illinois LLC, a Delaware limited liability company
20. MF Fargo-Grand Forks-Bismarck Stores LLC, a Delaware limited liability company
21. MF Grape-Coldwater Stores LLC, a Delaware limited liability company
22. Nimbus Store LLC, a Delaware limited liability company
23. R.H. Macy Holdings (HK), Ltd., a Delaware corporation
24. R.H. Macy Warehouse (HK), Ltd., a Delaware corporation
25. Silver Spring Condo Corporation, a Delaware corporation
26. Southdale Stores LLC, a Delaware limited liability company
27. Minooka Exchange, LLC, an Ohio limited liability company
28. Bloomingdale's Gift Card, LLC, an Ohio limited liability company
29. Bloomingdale's, Inc., an Ohio corporation
30. Bloomingdale's, LLC, an Ohio limited liability company
31. Macy's Central, LLC, an Ohio limited liability company
32. Macy's Credit and Customer Services, Inc., an Ohio corporation
33. Macy's Department Stores, Inc., an Ohio corporation
34. Macy's East, LLC, an Ohio limited liability company
35. Macy's Florida Stores, LLC, an Ohio limited liability company
36. Macy's Florida, LLC, an Ohio limited liability company
37. Macy's GC Sales, Inc., and Ohio corporation
38. Macy's Gift Card, LLC, an Ohio limited liability company
39. Macy's Home Store, LLC, an Ohio limited liability company
40. Macy's Insurance, Inc., an Ohio corporation
41. Macy's West, LLC, an Ohio limited liability company
42. Macy's Retail Holdings, Inc., a New York corporation

-
43. Bloomingdale's By Mail Ltd., a New York corporation
 44. Macys.com, Inc., a New York corporation
 45. Central Regional Claims Corporation, a Texas corporation
 46. 22 East Advertising Agency, Inc., a Florida corporation
 47. 22 East Reality Corporation, a Florida corporation
 48. Charleston Stores Corporation, an Indiana corporation
 49. Dayton's Iron Horse Liquors, Inc., a Minnesota corporation
 50. May Company Montgomery Condominium LLC, a Maryland limited liability company
 51. Mayfair Wine & Liquor Shop, Inc., a Wisconsin corporation
 52. MOA Rest, Inc., a Minnesota corporation
 53. Nutmeg Acquisition Corporation, a Connecticut corporation
 54. OBP, LLC, a Tennessee limited liability company
 55. Rooftop, Inc., a Minnesota corporation
 56. SWDC Investment Company, a Connecticut corporation
 57. Walden Stores Corporation, an Indiana corporation

EXHIBIT C-2

[Macy's Letterhead]

Dennis J. Broderick
Senior Vice President
General Counsel & Secretary

January 5, 2009

To: The Lenders and the Agents
Referred to Below
c/o JPMorgan Chase Bank, N.A.
270 Park Avenue
New York, NY 10017

Re: Macy's, Inc.

Ladies and Gentlemen:

As General Counsel of Macy's, Inc., a Delaware corporation (the "Parent") and of Macy's Retail Holdings, Inc., a New York corporation and wholly owned subsidiary of the Parent (the "Borrower"), I have acted as counsel for the entities identified on Schedule I hereto (collectively, the "Loan Parties" and each a "Loan Party") in connection with the amended and restated credit agreement dated as of August 30, 2007, as amended and restated as of January 5, 2009 (the "Credit Agreement"), among the Parent, the Borrower, the lenders from time to time party thereto (collectively, the "Lenders"), JPMorgan Chase Bank, N.A. ("JPMorgan") and Bank of America, N.A., as administrative agents (collectively, in such capacity, the "Agents"), and JPMorgan, as paying agent (the "Paying Agent"). This letter is delivered to you pursuant to Section 5(c) of the Amendment and Restatement Agreement, dated as of December 18, 2008 (the "Amendment and Restatement Agreement"), among the Parent, the Borrower, the Agents and the Paying Agent. Capitalized terms used in this letter and not otherwise defined have the meanings assigned to such terms in the Credit Agreement.

I have examined (i) an executed copy of the Amendment and Restatement Agreement, (ii) an executed copy of the Guarantee Agreement (together with the Amendment and Restatement Agreement, the "Loan Documents") and (iii) such other documents and records as I have deemed necessary for purposes of this opinion. Based on the foregoing, and subject to the assumptions, qualifications, and limitations set forth in this letter, I am of the opinion that:

1. Each Loan Party is a corporation or limited liability company, as applicable, existing in good standing under the laws of the jurisdiction of organization of such Loan Party.

2. Each Loan Party has the corporate or limited liability company, as applicable, power and authority to enter into and to perform its obligations under the Loan Documents to which it is a party.

3. The execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance by such Loan Party of its obligations under the Loan Documents to which it is a party (i) have been authorized by all necessary corporate or limited liability company, as applicable, action by such Loan Party and (ii) do not contravene any provision of the certificate of incorporation, certificate of formation, bylaws, limited liability company agreement or other equivalent organizational document, as applicable, of such Loan Party.

4. Each of the Loan Documents has been duly executed and delivered on behalf of each Loan Party thereto.

5. To the best of my knowledge, there is no action, suit, investigation, litigation or proceeding affecting the Loan Parties or any of their Subsidiaries, pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of the Credit Agreement or any of the Loan Document or the consummation of the transactions contemplated by the Credit Agreement or the Loan Documents.

This opinion is furnished by me as of the date hereof, as General Counsel of the Loan Parties, to the addressee hereof solely for the benefit of such entities and solely with respect to the above transactions, upon the understanding that I am not assuming hereby any professional responsibility to any other person whatsoever.

Very truly yours,

/s/ Dennis J. Broderick
Dennis J. Broderick

Schedule I

Loan Parties

1. Macy's, Inc., a Delaware corporation
2. Bloomingdale's Atlantic City, Inc., a Delaware corporation
3. Jordan Servicenter, Inc., a Delaware corporation
4. Kaufmann's Carousel, Inc., a Delaware corporation
5. Laurel Plaza Development I, Inc., a Delaware corporation
6. Macy's California Realty, LLC, a Delaware limited liability company
7. Macy's Corporate Services, Inc., a Delaware corporation
8. Macy's Hamilton By Appointment, Inc., a Delaware corporation
9. Macy's Merchandising Group International, LLC, a Delaware limited liability company
10. Macy's Systems and Technology, Inc., a Delaware corporation
11. Macy's Systems Leasing, Inc., a Delaware corporation
12. Macy's Texas, Inc., a Delaware corporation
13. Marshall Field's Chicago, Inc., a Delaware corporation
14. May Credit Corporation, a Delaware corporation
15. May Properties of Maryland, Inc., a Delaware corporation
16. May Stores IV, Inc., a Delaware corporation
17. May Stores VIII, Inc., a Delaware corporation
18. McIre One, Inc., a Delaware corporation
19. MF Distribution Center of Illinois LLC, a Delaware limited liability company
20. MF Fargo-Grand Forks-Bismarck Stores LLC, a Delaware limited liability company
21. MF Grape-Coldwater Stores LLC, a Delaware limited liability company
22. Nimbus Store LLC, a Delaware limited liability company
23. R.H. Macy Holdings (HK), Ltd., a Delaware corporation
24. R.H. Macy Warehouse (HK), Ltd., a Delaware corporation
25. Silver Spring Condo Corporation, a Delaware corporation
26. Southdale Stores LLC, a Delaware limited liability company
27. Minooka Exchange, LLC, an Ohio limited liability company
28. Bloomingdale's Gift Card, LLC, an Ohio limited liability company
29. Bloomingdale's, Inc., an Ohio corporation
30. Bloomingdale's, LLC, an Ohio limited liability company
31. Macy's Central, LLC, an Ohio limited liability company
32. Macy's Credit and Customer Services, Inc., an Ohio corporation
33. Macy's Department Stores, Inc., an Ohio corporation
34. Macy's East, LLC, an Ohio limited liability company
35. Macy's Florida Stores, LLC, an Ohio limited liability company
36. Macy's Florida, LLC, an Ohio limited liability company
37. Macy's GC Sales, Inc., and Ohio corporation
38. Macy's Gift Card, LLC, an Ohio limited liability company
39. Macy's Home Store, LLC, an Ohio limited liability company
40. Macy's Insurance, Inc., an Ohio corporation
41. Macy's West, LLC, an Ohio limited liability company
42. Macy's Retail Holdings, Inc., a New York corporation

-
43. Bloomingdale's By Mail Ltd., a New York corporation
 44. Macys.com, Inc., a New York corporation
 45. Central Regional Claims Corporation, a Texas corporation
 46. 22 East Advertising Agency, Inc., a Florida corporation
 47. 22 East Reality Corporation, a Florida corporation
 48. Charleston Stores Corporation, an Indiana corporation
 49. Dayton's Iron Horse Liquors, Inc., a Minnesota corporation
 50. May Company Montgomery Condominium LLC, a Maryland limited liability company
 51. Mayfair Wine & Liquor Shop, Inc., a Wisconsin corporation
 52. MOA Rest, Inc., a Minnesota corporation
 53. Nutmeg Acquisition Corporation, a Connecticut corporation
 54. OBP, LLC, a Tennessee limited liability company
 55. Rooftop, Inc., a Minnesota corporation
 56. SWDC Investment Company, a Connecticut corporation
 57. Walden Stores Corporation, an Indiana corporation

AMENDED AND RESTATED GUARANTEE AGREEMENT dated as of January 5, 2009, among MACY'S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC.) ("Parent"), MACY'S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC.) (the "Borrower"), the SUBSIDIARY GUARANTORS party hereto and JPMORGAN CHASE BANK, N.A., as Paying Agent.

Reference is made to (a) the Amended and Restated Credit Agreement dated as of August 30, 2007 (as in effect on the date hereof, the "Existing Credit Agreement") among Parent, the Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as administrative agents and JPMorgan Chase Bank, N.A., as paying agent and (b) the Amended and Restated Guarantee Agreement dated as of August 30, 2007 (as in effect on the date hereof, the "Existing Guarantee Agreement") among Parent, the Borrower and JPMorgan Chase Bank, N.A., as paying agent. The Existing Credit Agreement is being amended and restated pursuant to and in accordance with the Amendment and Restatement Agreement dated as of December 18, 2008 (the "Amendment and Restatement Agreement") among Parent, the Borrower, the Lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Administrative Agents and JPMorgan Chase Bank, N.A., as Paying Agent (the Existing Credit Agreement, as so amended and restated, by the Amendment and Restatement Agreement, and as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). The amendment and restatement of the Existing Credit Agreement pursuant to the Amendment and Restatement Agreement is conditioned upon, among other things, the execution and delivery of this Agreement. Parent is the parent company of the Borrower, will derive substantial benefits from the extension of credit to the Borrower pursuant to the Credit Agreement and is willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. The Subsidiary Guarantors are subsidiaries of the Borrower, will derive substantial benefits from the extension of credit to the Borrower pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Credit Agreement. (a) Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Credit Agreement.

(b) The rules of construction specified in Section 1.03 of the Credit Agreement also apply to this Agreement.

SECTION 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Claiming Party” has the meaning assigned to such term in Section 3.02 of this Agreement.

“Contributing Party” has the meaning assigned to such term in Section 3.02 of this Agreement.

“Credit Agreement” has the meaning assigned to such term in the preliminary statement of this Agreement.

“Credit Parties” means (a) the Lenders, (b) the Agents, (c) the Issuing Banks, (d) the beneficiaries of the Borrower’s indemnification obligations under the Credit Agreement and (e) the successors and assigns of each of the foregoing.

“Guarantors” means Parent and the Subsidiary Guarantors.

“Obligations” means the due and punctual payment by the Borrower of (a) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) each payment required to be made by the Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) and obligations to provide cash collateral, and (c) all other monetary obligations of the Borrower to any of the Credit Parties under the Credit Agreement and each of the other Loan Documents, including obligations to pay fees, expense reimbursement obligations and indemnification obligations, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding).

“Subsidiary Guarantor” means, at any time, any Subsidiary Loan Party that is party to this Agreement at such time, except any such Subsidiary Loan Party the Guarantee hereunder of which has been released and terminated in accordance with the terms of this Agreement. The initial Subsidiary Guarantors are listed on Schedule A.

SECTION 1.03. Restatement. This Agreement amends and restates the Existing Guarantee Agreement in its entirety.

ARTICLE II

Guarantee

SECTION 2.01. Guarantee. Subject to the limitations set forth herein, each of the Guarantors unconditionally guarantees, as a primary obligor and not merely as a surety, the due and punctual payment of the Obligations. Each of the Guarantors further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation. Each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. Notwithstanding any other provision of this Agreement, the maximum liability of the Bloomingdale's Parties with respect to the Obligations under this Agreement at any time of determination shall be limited to the difference of (a) the maximum liability that the Bloomingdale's Parties may have under this Agreement without causing Bloomingdale's to fail to be in compliance with Section 26.15 of the Bloomingdale's Lease minus (b) \$10,000,000.

SECTION 2.02. Guarantee of Payment. Each of the Guarantors further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Paying Agent or any other Credit Party to any security held for the payment of the Obligations or to any balance of any deposit account or credit on the books of the Paying Agent or any other Credit Party in favor of the Borrower or any other Person.

SECTION 2.03. Limitations. (a) Except for (x) termination of a Guarantor's obligations hereunder as expressly provided in Section 4.10 and (y) the limitations with respect to the Bloomingdale's Parties set forth in Section 2.01, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by (i) the failure of the Paying Agent or any other Credit Party to assert any claim or demand or to enforce any right or remedy under the provisions of any Loan Document or otherwise; (ii) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, any Loan Document or any other agreement; (iii) the release of any security held by the Paying Agent or any other Credit Party for the Obligations or any of them; (iv) any default, failure or delay, wilful or otherwise, in the payment of the Obligations; or (v) any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the payment in full in cash of all the Obligations). Each of the Guarantors expressly authorizes the Credit Parties to take and hold security for the payment and

performance of the Obligations, to exchange, waive or release any or all such security (with or without consideration), to enforce or apply such security and direct the order and manner of any sale thereof in their sole discretion or to release or substitute any one or more other guarantors or obligors upon or in respect of the Obligations, all without affecting the obligations of any of the Guarantors hereunder.

(b) To the fullest extent permitted by applicable law, each Guarantor waives any defense based on or arising out of any defense of the Borrower or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower, other than the payment in full in cash of all the Obligations. The Paying Agent and the other Credit Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or exercise any other right or remedy available to them against the Borrower, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been paid in full in cash. To the fullest extent permitted by applicable law, each Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any security.

SECTION 2.04. Reinstatement. Each Guarantor agrees that its guarantee hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Paying Agent or any other Credit Party upon the bankruptcy or reorganization of the Borrower or otherwise. The provisions of this Section 2.04 shall survive any termination or release under Section 4.10.

SECTION 2.05. Agreement To Pay; Subrogation. In furtherance of the foregoing and not in limitation of any other right that the Paying Agent or any other Credit Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Paying Agent for distribution to the applicable Credit Parties in cash the amount of such unpaid Obligation. Upon payment by any Guarantor of any sums to the Paying Agent as provided above, all rights of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subject to Article III.

SECTION 2.06. Information. Each of the Guarantors assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Paying Agent or the other Credit Parties will have any duty to advise such Guarantor of information known to it or any of them regarding such circumstances or risks.

ARTICLE III

Indemnity, Subrogation and Subordination

SECTION 3.01. Indemnity. In addition to all such rights of indemnity and subrogation as each of the Subsidiary Guarantors may have under applicable law (but subject to Section 3.03), Parent and the Borrower jointly and severally agree that, in the event a payment in respect of any Obligation shall be made by any Subsidiary Guarantor under this Agreement, Parent and the Borrower shall indemnify such Subsidiary Guarantor for the full amount of such payment and such Subsidiary Guarantor shall be subrogated to the rights of the Person to whom such payment shall have been made to the extent of such payment.

SECTION 3.02. Contribution and Subrogation. Each Subsidiary Guarantor (a “Contributing Party”) agrees (subject to Section 3.03) that, in the event a payment shall be made by any other Subsidiary Guarantor hereunder in respect of any Obligation and such other Subsidiary Guarantor (the “Claiming Party”) shall not have been fully indemnified by Parent and the Borrower as provided in Section 3.01, the Contributing Party shall indemnify the Claiming Party in an amount equal to the amount of such payment multiplied by a fraction of which the numerator shall be the net worth of the Contributing Party on the date hereof and the denominator shall be the aggregate net worth of all the Subsidiary Guarantors on the date hereof (or, in the case of any Subsidiary Guarantor becoming a party hereto after the date hereof, the date of the supplement hereto executed and delivered by such Subsidiary Guarantor); provided, however, that in the case of the Bloomingdale’s Parties, the numerator of the foregoing fraction shall be the maximum liability of the Bloomingdale’s Parties hereunder determined in accordance with Section 2.01. Any Contributing Party making any payment to a Claiming Party pursuant to this Section 3.02 shall be subrogated to the rights of such Claiming Party under Section 3.01 to the extent of such payment.

SECTION 3.03. Subordination. (a) Notwithstanding any provision of this Agreement to the contrary, all rights of each Subsidiary Guarantor under Sections 3.01 and 3.02 and all other rights of each Guarantor in respect of indemnity, contribution or subrogation under applicable law or otherwise, shall be fully subordinated to the indefeasible payment in full in cash of the Obligations on the terms set forth in Schedule B hereto. No failure on the part of the Borrower or any Guarantor to make the payments required by Sections 3.01 and 3.02 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

(b) Each of the Borrower and the Guarantors hereby agrees that all Indebtedness and other monetary obligations owed by it to Parent, the Borrower or any other Subsidiary shall be fully subordinated to the indefeasible payment in full in cash of the Obligations on the terms set forth in Schedule B hereto.

ARTICLE IV

Miscellaneous

SECTION 4.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices to any Subsidiary Guarantor shall be given to such Subsidiary Guarantor in care of the Borrower.

SECTION 4.02. Waivers; Amendment. (a) No failure or delay by any Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under the Credit Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents, the Issuing Banks and the Lenders hereunder and under the Credit Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 4.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time. No notice or demand on any Loan Party in any case shall entitle any Loan Party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Paying Agent and the Loan Party or Loan Parties with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement.

SECTION 4.03. Successors and Assigns. Whenever in this Agreement any party hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Guarantor, the Borrower or the Paying Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 4.04. Survival of Agreement. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any Lender or on its behalf and notwithstanding that any Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under any Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated.

SECTION 4.05. Counterparts; Effectiveness; Several Agreement. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute single contract. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective when it shall have been executed by the Paying Agent and when the Paying Agent shall have received counterparts hereof which, when taken together, bear the signatures of each Loan Party, and thereafter shall be binding upon each Loan Party and the Paying Agent, and shall inure to the benefit of each Loan Party, the Paying Agent and the other Credit Parties and their respective successors and assigns, except that no Loan Party shall have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement or the Credit Agreement.

SECTION 4.06. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 4.07. Right of Set-Off. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Guarantor against any of and all the obligations of such Guarantor now or hereafter existing under this Agreement owed to such Lender, irrespective of whether or not any demand for payment thereof has been made under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section 4.07 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

SECTION 4.08. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

SECTION 4.09. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 4.10. Termination or Release. (a) Subject to Section 2.04, this Agreement and the guarantees made herein shall terminate when the Commitments have terminated, all the Obligations have been paid in full, the LC Exposure has been reduced to zero and the Issuing Banks have no further obligations to issue Letters of Credit under the Credit Agreement.

(b) At any time that either Public Debt Rating shall be Baa1 or BBB+ or better (provided that neither the Moody's rating nor the S&P rating is more than one notch worse than the other), the Borrower may by written notice to the Paying Agent release and terminate the Guarantees hereunder by one or more of the Subsidiary Guarantors to the extent doing so would not result in a failure to be in compliance with clause (ii) of Section 5.08(b) of the Credit Agreement.

(c) A Subsidiary Guarantor shall automatically be released from its obligations hereunder and shall cease to be a party hereto upon the consummation of any transaction permitted by the Credit Agreement as a result of which such Subsidiary Guarantor ceases to be a Subsidiary; provided that the Required Lenders shall have consented to such transaction (to the extent required by the Credit Agreement) and the terms of such consent did not provide otherwise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

MACY's, INC.,

By /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Executive Vice President and Chief
Financial Officer

MACY'S RETAIL HOLDINGS, INC.,

by /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Vice President and Chief Financial Officer

BLOOMINGALE'S ATLANTIC CITY, INC.,

By /s/ Stephen J. O'Bryan

Name: Stephen J. O'Bryan

Title: Assistant Secretary

DAYTON'S IRON HORSE LIQUORS, INC.,

by /s/ Warren P. Wolfe

Name: Warren P. Wolfe

Title: President

MACY'S GC SALES, INC.,

by /s/ Richard A. Cohen

Name: Richard A. Cohen

Title: President

MACY'S HAMILTON BY APPOINTMENT, INC.,

by /s/ Stephen J. O'Bryan

Name: Stephen J. O'Bryan

Title: Secretary

MARSHALL FIELDS CHICAGO, INC.,

by /s/ Warren P. Wolfe

Name: Warren P. Wolfe

Title: President

MAYFAIR WINE & LIQUOR SHOP, INC.,

by /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

ROOFTOP, INC.,

by /s/ Warren P. Wolfe

Name: Warren P. Wolfe

Title: President

MINOOKA EXCHANGE, LLC,

by /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

22 East Advertising Agency, Inc.
22 East Reality Corporation
Bloomingdale's By Mail Ltd.
Bloomingdale's Gift Card, LLC
Bloomingdale's, Inc.
Bloomingdale's, LLC
Central Regional Claims Corporation
Charleston Stores Corporation
Jordan Servicer, Inc.
Kaufmann's Carousel, Inc.
Laurel Plaza Development I, Inc.
Macy's California Realty, LLC
Macy's Central, LLC
Macy's Corporate Services, Inc.
Macy's Credit and Customer Services, Inc.
Macy's Department Stores, Inc.
Macy's East, LLC
Macy's Florida Stores, LLC
Macy's Florida, LLC
Macy's Gift Card, LLC
Macy's Home Store, LLC
Macy's Insurance, Inc.
Macy's Merchandising Group International, LLC
Macy's Systems and Technology, Inc.
Macy's Systems Leasing, Inc.
Macy's Texas, Inc.
Macy's West, LLC
Macys.com, Inc.
May Company Montgomery Condominium LLC
May Credit Corporation
May Properties of Maryland, Inc.
May Stores IV, Inc.
May Stores VIII, Inc.
McIre One, Inc.
MF Distribution Center of Illinois LLC
MF Fargo-Grand Forks-Bismarck Stores LLC
MF Grape-Coldwater Stores LLC
MOA Rest, Inc.
Nimbus Store LLC
Nutmeg Acquisition Corporation
OBP, LLC
R.H. Macy Holdings (HK), Ltd.
R.H. Macy Warehouse (HK), Ltd.
Silver Spring Condo Corporation
Southdale Stores LLC
SWDC Investment Company
Walden Stores Corporation

by /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Vice President

JPMORGAN CHASE BANK, N.A., as
PAYING AGENT,

by /s/ Barry Bergman

Name: Barry Bergman

Title: Managing Director

SCHEDULE A

LIST OF INITIAL SUBSIDIARY GUARANTORS

1. 22 East Advertising Agency, Inc., a Florida corporation
2. 22 East Reality Corporation, a Florida corporation
3. Bloomingdale's Atlantic City, Inc., a Delaware corporation
4. Bloomingdale's By Mail Ltd., a New York corporation
5. Bloomingdale's Gift Card, LLC, an Ohio limited liability company
6. Bloomingdale's, Inc., an Ohio corporation
7. Bloomingdale's, LLC, an Ohio limited liability company
8. Central Regional Claims Corporation, a Texas corporation
9. Charleston Stores Corporation, an Indiana corporation
10. Dayton's Iron Horse Liquors, Inc., a Minnesota corporation
11. Jordan Servicenter, Inc., a Delaware corporation
12. Kaufmann's Carousel, Inc., a Delaware corporation
13. Laurel Plaza Development I, Inc., a Delaware corporation
14. Macy's California Realty, LLC, a Delaware limited liability company
15. Macy's Central, LLC, an Ohio limited liability company
16. Macy's Corporate Services, Inc., a Delaware corporation
17. Macy's Credit and Customer Services, Inc., an Ohio corporation
18. Macy's Department Stores, Inc., an Ohio corporation
19. Macy's East, LLC, an Ohio limited liability company
20. Macy's Florida Stores, LLC, an Ohio limited liability company
21. Macy's Florida, LLC, an Ohio limited liability company
22. Macy's GC Sales, Inc., and Ohio corporation
23. Macy's Gift Card, LLC, an Ohio limited liability company
24. Macy's Hamilton By Appointment, Inc., a Delaware corporation
25. Macy's Home Store, LLC, an Ohio limited liability company
26. Macy's Insurance, Inc., an Ohio corporation
27. Macy's Merchandising Group International, LLC, a Delaware limited liability company
28. Macy's Systems and Technology, Inc., a Delaware corporation
29. Macy's Systems Leasing, Inc., a Delaware corporation
30. Macy's Texas, Inc., a Delaware corporation
31. Macy's West, LLC, an Ohio limited liability company
32. Macys.com, Inc., a New York corporation
33. Marshall Field's Chicago, Inc., a Delaware corporation
34. May Company Montgomery Condominium LLC, a Maryland limited liability company
35. May Credit Corporation, a Delaware corporation
36. May Properties of Maryland, Inc., a Delaware corporation
37. May Stores IV, Inc., a Delaware corporation
38. May Stores VIII, Inc., a Delaware corporation

-
39. Mayfair Wine & Liquor Shop, Inc., a Wisconsin corporation
 40. McIre One, Inc., a Delaware corporation
 41. MF Distribution Center of Illinois LLC, a Delaware limited liability company
 42. MF Fargo-Grand Forks-Bismarck Stores LLC, a Delaware limited liability company
 43. MF Grape-Coldwater Stores LLC, a Delaware limited liability company
 44. Minooka Exchange, LLC, an Ohio limited liability company
 45. MOA Rest, Inc., a Minnesota corporation
 46. Nimbus Store LLC, a Delaware limited liability company
 47. Nutmeg Acquisition Corporation, a Connecticut corporation
 48. OBP, LLC, a Tennessee limited liability company
 49. R.H. Macy Holdings (HK), Ltd., a Delaware corporation
 50. R.H. Macy Warehouse (HK), Ltd., a Delaware corporation
 51. Rooftop, Inc., a Minnesota corporation
 52. Silver Spring Condo Corporation, a Delaware corporation
 53. Southdale Stores LLC, a Delaware limited liability company
 54. SWDC Investment Company, a Connecticut corporation
 55. Walden Stores Corporation, an Indiana corporation

SCHEDULE B

Subordination Terms

ARTICLE I

DEFINITIONS

Capitalized terms used herein have the meanings set forth in the Amended and Restated Guarantee Agreement dated as of January 5, 2009 (the "Guarantee Agreement") among Macy's, Inc., Macy's Retail Holdings, Inc., the subsidiary guarantors party thereto and JPMorgan Chase Bank, N.A., as Paying Agent or, if not defined therein, then in the Credit Agreement referred to therein. In addition, as used herein the following terms shall have the following meanings:

"Senior Creditors" means the Credit Parties.

"Senior Obligations" means (a) with respect to the Borrower, the Obligations, and (b) with respect to any other Loan Party, all monetary obligations of such Loan Party under the Guarantee Agreement.

"Subordinated Creditors" means each of Parent, the Borrower and the other Subsidiaries.

"Subordinated Obligations" means, with respect to any Loan Party, all Indebtedness and other monetary obligations of such Loan Party at any time owing to any Subordinated Creditor (including any such obligations or other liabilities owing to any other Person for the direct or indirect benefit of any Subordinated Creditor).

ARTICLE II

SUBORDINATION

SECTION 2.1. Subordination. Each Subordinated Creditor hereby agrees that all the Subordinated Obligations of each Loan Party are hereby expressly subordinated, to the extent and in the manner set forth in this Article II, to the prior payment in full in cash of all Senior Obligations of such Loan Party in accordance with the terms hereof.

SECTION 2.2. Dissolution or Insolvency. Upon any distribution of the assets of any Loan Party or upon any dissolution, winding up, liquidation or reorganization of any Loan Party, whether in bankruptcy, insolvency, reorganization, arrangement or receivership proceedings or otherwise, or upon any assignment for the benefit of creditors or any other marshaling of the assets and liabilities of any Loan Party, or otherwise:

(a) the Senior Creditors of such Loan Party shall first be entitled to receive payment in full in cash of the Senior Obligations of such Loan Party in accordance with the terms of such Senior Obligations and the Loan Documents before any Subordinated Creditor shall be entitled to receive any payment on account of the Subordinated Obligations of such Loan Party, whether as principal, interest or otherwise; and

(b) any payment by, or distribution of the assets of, such Loan Party of any kind or character, whether in cash, property or securities, to which any Subordinated Creditor would be entitled except for the provisions hereof shall be paid or delivered by the Person making such payment or distribution (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Paying Agent to the extent necessary to make payment in full in cash of all Senior Obligations of such Loan Party remaining unpaid, after giving effect to any concurrent payment or distribution to the Senior Creditors in respect of the Senior Obligations, to be held and applied by the Paying Agent to payment of the Senior Obligations.

SECTION 2.3. Payment of Subordinated Obligations Prohibited Upon Exercise of Remedies. No payment (whether directly, by exercise of any right of set-off or otherwise) in respect of the Subordinated Obligations of any Loan Party, whether as principal, interest or otherwise, shall be permitted, and no such payment shall be received or accepted by or on behalf of any Subordinated Creditor, if an Event of Default has occurred and is continuing and the Commitments have been terminated pursuant to Article VII of the Credit Agreement.

SECTION 2.4. Certain Payments Held in Trust. In the event that any payment by, or distribution of the assets of, any Loan Party of any kind or character, whether in cash, property or securities, and whether directly, by exercise of any right of set-off or otherwise, shall be received by or on behalf of any Subordinated Creditor at a time when such payment is prohibited hereby, such payment or distribution shall be held in trust for the benefit of, and shall be paid over to, the Paying Agent to the extent necessary to make payment in full in cash of all Senior Obligations of such Loan Party remaining unpaid, after giving effect to any concurrent payment or distribution to the Senior Creditors in respect of such Senior Obligations, to be held and applied by the Paying Agent to satisfy the Senior Obligations.

SECTION 2.5. Subrogation. Subject to the prior indefeasible payment in full in cash of the Senior Obligations of a Loan Party, the applicable Subordinated Creditors of such Loan Party shall be subrogated to the rights of the Senior Creditors of such Loan Party to receive payments or distributions in cash, property or securities of such Loan Party applicable to such Senior Obligations until all amounts owing on the Subordinated Obligations of such Loan Party shall be paid in full, and as between and among a Loan Party, its creditors (other than its Senior Creditors) and the applicable Subordinated Creditors of such Loan Party, no such payment or distribution made to the Paying Agent by virtue hereof that otherwise would have been made to the Subordinated Creditors of such Loan Party shall be deemed to be a payment by such Loan Party on account of its Subordinated Obligations, it being understood that the provisions hereof are intended solely for the purpose of defining the relative rights of the Subordinated Creditors, on the one hand, and the Senior Creditors, on the other hand.

FORM OF SUPPLEMENT TO AMENDED AND RESTATED GUARANTEE AGREEMENT

SUPPLEMENT NO. ___ dated as of [] (this "Supplement"), to the AMENDED AND RESTATED GUARANTEE AGREEMENT dated as of January 5, 2009 (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement") among MACY'S, INC. (formerly known as FEDERATED DEPARTMENT STORES, INC.) ("Parent"), MACY'S RETAIL HOLDINGS, INC. (formerly known as FEDERATED RETAIL HOLDINGS, INC.) (the "Borrower"), the SUBSIDIARY GUARANTORS party thereto (the "Subsidiary Guarantors") and JPMORGAN CHASE BANK, N.A., as Paying Agent.

A. Reference is made to the Amended and Restated Credit Agreement, dated as of August 30, 2007, as amended and restated as of January 5, 2009 (as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Parent, the Borrower, the Lenders party thereto, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Administrative Agents, and JPMorgan Chase Bank, N.A., as Paying Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Guarantee Agreement referred to therein.

C. Section 5.08 of the Credit Agreement provides that Subsidiary Loan Parties that are not Subsidiary Guarantors under the Guarantee Agreement may be required to become Subsidiary Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "Additional Subsidiary") is executing this Supplement in accordance with the requirements of Section 5.08 of the Credit Agreement to become a Subsidiary Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Paying Agent and the Additional Subsidiary agree as follows:

SECTION 1. In accordance with Section 5.08 of the Credit Agreement, the Additional Subsidiary by its signature below becomes a Subsidiary Guarantor and a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor, and the Additional Subsidiary hereby agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Subsidiary Guarantor and Guarantor thereunder .

SECTION 2. The Additional Subsidiary represents and warrants to the Paying Agent and the other Credit Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Paying Agent shall have received a counterpart of this Supplement that bears the signature of the Additional Subsidiary and the Paying Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile or electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 4.01 of the Guarantee Agreement.

SECTION 8. The Borrower agrees to reimburse the Paying Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Paying Agent.

IN WITNESS WHEREOF, the Additional Subsidiary and the Paying Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[ADDITIONAL SUBSIDIARY],

by _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as
PAYING AGENT,

by _____
Name:
Title:

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT

AMONG

CITIBANK, N.A.,

FEDERATED DEPARTMENT STORES, INC.,

FDS BANK

AND

PRIME II RECEIVABLES CORPORATION

DATED AS OF JUNE 1, 2005

TABLE OF CONTENTS

	<u>Page</u>
RECITALS	1
ARTICLE I DEFINITIONS	2
SECTION 1.1. Definitions of Certain Terms	2
SECTION 1.2. Interpretation	20
ARTICLE II FIRST CLOSING, PURCHASE, SALE AND ASSUMPTION	21
SECTION 2.1. Purchase and Sale of FDS Assets and the Prime Stock	21
SECTION 2.2. Assumption of FDS Liabilities	21
SECTION 2.3. FDS Purchase Price; FDS Purchase Price Adjustment	21
SECTION 2.4. The First Closing	22
ARTICLE III SECOND CLOSING, PURCHASE, SALE AND ASSUMPTION	23
SECTION 3.1. Purchase and Sale of the GE/Macy's Assets	23
SECTION 3.2. Assumption of the GE/Macy's Liabilities	23
SECTION 3.3. GE/Macy's Purchase Price; GE/Macy's Purchase Price Adjustment	23
SECTION 3.4. The Second Closing	25
ARTICLE IV THIRD CLOSING, PURCHASE, SALE AND ASSUMPTION	25
SECTION 4.1. Purchase and Sale of the May Assets	25
SECTION 4.2. Assumption of the May Liabilities	25
SECTION 4.3. May Purchase Price; May Purchase Price Adjustment	26
SECTION 4.4. The Third Closing	27
ARTICLE V REPRESENTATIONS OF THE PARTIES	27
SECTION 5.1. Representations of FDS	27
SECTION 5.2. Representations of the Purchaser	35
SECTION 5.3. No Other Representations or Warranties; No Recourse	39
ARTICLE VI COVENANTS	39
SECTION 6.1. Conduct of Business	39
SECTION 6.2. Certain Changes	40
SECTION 6.3. Access and Confidentiality	42
SECTION 6.4. Reasonable Best Efforts; Other Filings	43
SECTION 6.5. Additional Instruments	45
SECTION 6.6. Non-Solicitation	45
SECTION 6.7. Credit Card Marks; Branding	46
SECTION 6.8. Notice to Cardholders	46
SECTION 6.9. Cooperation in Obtaining Approval and Consents	47

SECTION 6.10. Post-Closing Access	47
SECTION 6.11. Cooperation in Litigation	48
SECTION 6.12. Preservation of and Access to Books and Records	48
SECTION 6.13. Bulk Sales Law	48
SECTION 6.14. CEBA Bank	48
SECTION 6.15. Third-Party Consents	49
SECTION 6.16. May Portfolio	50
SECTION 6.17. Interim Servicing	51
SECTION 6.18. Securitization Matters	51
ARTICLE VII CONDITIONS TO EFFECT THE FIRST PURCHASE AND ASSUMPTION	52
SECTION 7.1. Conditions to Each Party's Obligations	52
SECTION 7.2. Conditions to Obligations of the Purchaser	53
SECTION 7.3. Conditions to Obligations of the Sellers	53
ARTICLE VIII CONDITIONS TO EFFECT THE SECOND PURCHASE AND ASSUMPTION	54
SECTION 8.1. Conditions to Each Party's Obligations	54
SECTION 8.2. Conditions to Obligations of the Purchaser	55
SECTION 8.3. Conditions to Obligations of FDS and FDS Bank	55
ARTICLE IX CONDITIONS TO EFFECT THE THIRD PURCHASE AND ASSUMPTION	56
SECTION 9.1. Conditions to Each Party's Obligations	56
SECTION 9.2. Conditions to Obligations of the Purchaser	57
SECTION 9.3. Conditions to Obligations of FDS and FDS Bank	57
ARTICLE X TERMINATION	58
SECTION 10.1. Termination Prior to the First Closing	58
SECTION 10.2. Termination Prior to the Second Closing	59
SECTION 10.3. Termination Prior to the Third Closing	59
SECTION 10.4. Effect of Termination	59
ARTICLE XI TAX MATTERS	60
SECTION 11.1. Cooperation	60
SECTION 11.2. Tax Returns	60
SECTION 11.3. Conveyance Taxes	60
SECTION 11.4. Refunds	60
SECTION 11.5. Tax Filing Obligations	61
SECTION 11.6. Purchase Price Allocations; Section 338(h)(10) Election	61
SECTION 11.7. Straddle Periods	63
SECTION 11.8. Tax Contests	63
SECTION 11.9. Payments	64
SECTION 11.10. Survival of Tax Indemnities	64

SECTION 11.11. FIRPTA Certificates	64
SECTION 11.12. Tax Sharing Agreements	64
ARTICLE XII SURVIVAL; INDEMNIFICATION	65
SECTION 12.1. Survival	65
SECTION 12.2. Indemnification by the Sellers	65
SECTION 12.3. Indemnification by the Purchaser	66
SECTION 12.4. Notice, Settlements and Other Matters	66
ARTICLE XIII MISCELLANEOUS	68
SECTION 13.1. Notices	68
SECTION 13.2. Expenses and Certain Post-Closing Matters	70
SECTION 13.3. Successors and Assigns	71
SECTION 13.4. Entire Agreement; Amendment; Waiver	71
SECTION 13.5. Counterparts	72
SECTION 13.6. Governing Law	72
SECTION 13.7. Waiver of Jury Trial and Venue	72
SECTION 13.8. Severability	72
SECTION 13.9. No Petition	72
SECTION 13.10. Public Announcement	72
SECTION 13.11. Third-Party Beneficiaries	73
SECTION 13.12. Schedules	73

SCHEDULES AND ANNEXES

Schedule 1.1(a)	Assigned Contracts
Schedule 1.1(b)(1)	Form of First Closing Statement
Schedule 1.1(b)(2)	Form of Second Closing Statement
Schedule 1.1(b)(3)	Form of Third Closing Statement
Schedule 1.1(c)(1)	Seller's Knowledge
Schedule 1.1(c)(2)	Purchaser's Knowledge
Schedule 1.1(d)	Form of Master File
Schedule 1.1(e)	Prime Securitization Bank Accounts
Schedule 1.1(f)	Prime Securitization Documents
Schedule 1.1(g)	Prime II Securitization Documents
Schedule 1.1(h)	Termination Fee
Schedule 5.1(c)	Governmental and Third Party Consents of the Sellers
Schedule 5.1(e)(2)	SEC Reports; Other Financial Information
Schedule 5.1(f)	Absence of Certain Changes
Schedule 5.1(h)	Litigation
Schedule 5.1(l)(4)	Accounts
Schedule 5.1(q)	Outstanding Liabilities of Prime
Schedule 5.1(r)	Intellectual Property
Schedule 5.2(c)	Governmental and Third Party Consents of the Purchaser
Schedule 6.16	May Portfolio Calculations and Procedures
Schedule 6.17	Interim Servicing Reports
Schedule 7.1	Requisite Third Party Consents
Schedule 9.2(b)	May Financial Information
Annex A	Program Agreement
Annex B	Form of First Instrument of Assignment and Assumption
Annex C	Form of Second Instrument of Assignment and Assumption
Annex D	Form of Third Instrument of Assignment and Assumption
Annex E	Summary of Terms of CEBA Equity Interests

PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT, dated as of June 1, 2005 (this “*Agreement*”), among Federated Department Stores, Inc., a Delaware corporation (“*FDS*”), FDS Bank, a federally-chartered stock savings bank (“*FDS Bank*”), Prime II Receivables Corporation, a Delaware corporation (“*Prime II*”), and Citibank, N.A., a national banking association (the “*Purchaser*”).

RECITALS

WHEREAS, FDS is, among other things, (i) engaged in the business of selling merchandise through retail stores and by other means and (ii) indirectly through certain of its subsidiaries, including FDS Bank, engaged in the Business (as defined herein);

WHEREAS, the Prime Credit Card Master Trust (the “*Prime Master Trust*”) was formed pursuant to that certain Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992, as amended and/or supplemented through the date of this Agreement and as it may be further amended and/or supplemented through the First Closing Date (as defined herein) to the extent permitted by this Agreement, including all series supplements thereto (the “*Prime Pooling and Servicing Agreement*”), by and among Prime Receivables Corporation, a Delaware corporation (“*Prime*”), as transferor, FDS Bank (as successor to FDS National Bank), as servicer, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank and as successor to Chemical Bank), as trustee;

WHEREAS, the Prime Credit Card Master Trust II (the “*Prime II Master Trust*”) was formed pursuant to that certain Pooling and Servicing Agreement, dated as of January 22, 1997, as amended and/or supplemented through the date of this Agreement and as it may be further amended and/or supplemented through the First Closing Date, including all series supplements thereto (the “*Prime II Pooling and Servicing Agreement*”), by and among Prime II, as transferor, FDS Bank (as successor to FDS National Bank), as servicer, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the Prime Pooling and Servicing Agreement and the Prime II Pooling and Servicing Agreement together the “*Pooling and Servicing Agreements*”);

WHEREAS, pursuant to this Agreement, (i) the Sellers referred to herein desire to sell or cause to be sold to the Purchaser, and the Purchaser desires to purchase the Acquired Assets and Stock (as defined herein), including the Accounts (as defined herein) and related credit card relationships from and after the closing of such sale or sales, and to assume the Assumed Liabilities (as defined herein) pursuant to the terms contained and in the manner described herein, and (ii) the Purchaser desires to form a federally-chartered bank, which will be a subsidiary of the Purchaser (“*CEBA Bank*”) and assign to CEBA Bank the Acquired Assets and Stock and cause CEBA Bank to assume the Assumed Liabilities as more fully specified herein;

WHEREAS, (i) on the date hereof, FDS, FDS Bank, FACS Group, Inc. and the Purchaser are entering into a Program Agreement (the “*Program Agreement*”) in the form attached hereto as Annex A, to become effective as of the Effective Date (as defined in the Program Agreement), that provides for, among other things, the issuance of proprietary cards and co-branded credit cards, the issuance of existing and new credit related products, the processing and servicing of the related Accounts, and the conduct of related marketing activities, and (ii) on or prior to the First Closing Date, the Purchaser shall assign all of its rights and obligations under the Program Agreement to CEBA Bank.

NOW, THEREFORE, in consideration of the premises, and of the mutual representations and agreements contained in this Agreement, the parties agree as follows:

**ARTICLE 1
DEFINITIONS**

SECTION 1.1. *Definitions of Certain Terms.*

(a) In this Agreement, the following terms are used with the meanings assigned below:

“*Accounts*” means the collective reference to the FDS Accounts, the GE/Macy’s Accounts and the May Accounts.

“*Account Agreement*” means an agreement (including related disclosure) between FDS Bank, GE Bank or May Bank, as the case may be, and a Person or Persons under which Accounts are established and Credit Cards are issued to or on behalf of such Person or Persons, as such agreement may be amended, modified or otherwise changed from time to time (including pursuant to change of terms notices or any debt cancellation agreements).

“*Acquired Assets and Stock*” means the collective reference to the FDS Assets, the Prime Stock, the GE/Macy’s Assets and the May Assets.

“*Affiliate*” means, with respect to any Person, each Person that controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. From and after the closing of the May Merger, for all purposes under this Agreement, May Co. and its Affiliates shall be considered Affiliates of the Sellers. Notwithstanding the foregoing, solely for purposes of this Agreement, and regardless of its characterization under applicable Requirements of Law or the Program Agreement, upon issuance to FDS Bank of the CEBA Equity Interests, CEBA Bank shall be deemed to be an Affiliate of the Purchaser and not an Affiliate of the Sellers from and after the First Closing.

“*Ancillary Agreements*” means the Program Agreement, the First Instrument of Assignment and Assumption, the Second Instrument of Assignment and Assumption and the Third Instrument of Assignment and Assumption.

“*Ancillary Products*” has the meaning set forth in the Program Agreement.

“Applicable Order” means, with respect to any Person, a judgment, injunction, writ, decree or order of any Governmental Authority, in each case legally binding on that Person or on any material amount of its property.

“Assigned Contracts” means the Contracts listed on Schedule 1.1(a).

“Assumed Liabilities” means the collective reference to the FDS Liabilities, the GE/Macy’s Liabilities and the May Liabilities.

“Books and Records” means books, records, original documents, files, correspondence, books of account, Credit Card applications, customer service and collection records, billing tapes, month-end tapes, papers, statement forms, plastics, application forms and other data maintained by or on behalf of Sellers or any of their Affiliates, whether in hard copy or electronic format or any other form, including those relating to the Prime Master Trust, in each case to the extent within the Sellers’ control and possession and primarily used in the Business, other than the FDS Cardholder List, the GE/Macy’s Cardholder List, the May Cardholder List, the Master File and any of the foregoing relating principally to the Excluded Assets and other than Tax Returns or Tax work papers. For the avoidance of doubt, the term “Books and Records” does not include any FDS Shopper Data (to the extent not included in the Master File (and without limiting FDS’s ownership of such FDS Shopper Data contained in the Master File)), FDS Systems (as defined in the Program Agreement) or any of the Sellers’ minute books, stock ledgers, internal accounting records or other corporate records and documents.

“Business” means the Credit Card business relating to the Acquired Assets and Stock conducted by FDS and its Subsidiaries and (to the extent of FDS’s ability to control matters relating to the accounts under the GE/Macy’s Program Agreement prior to the termination of the GE/Macy’s Program Agreement) GE Bank and its Affiliates, including (A) the extension of credit to Cardholders, the servicing of the Accounts (including servicing under the Pooling and Servicing Agreements), billings, collections, processing of Account transactions, the administration of the Accounts and Gross Receivables (including the Securitization Receivables) and all aspects of the proprietary Credit Card program relating to the Accounts and (B) the offering of any Ancillary Products to Cardholders but excluding (i) the operations, systems and facilities of FACS Group, Inc., (ii) all Employees, (iii) the Excluded Assets, and (iv) the May Business prior to the closing of the May Merger.

“Business Day” means any day, other than a Saturday or Sunday, on which both FDS and the Purchaser are open for business at their respective U.S. headquarters.

“Card Associations” means VISA U.S.A., Inc. and VISA International Inc.

“Cardholder” means a Person or Persons to whom a Credit Card is or has been issued by FDS Bank or May Bank or is or has been issued by GE Bank in accordance with the GE/Macy’s Program Agreement and in whose name(s) an Account, in connection with which the Credit Card may be used, has been established pursuant to an Account Agreement.

“*Charged Off Accounts*” means, collectively, all Credit Card Accounts that (a) would constitute FDS Accounts, but for clause (ii) of the definition of FDS Accounts, (b) would constitute GE/Macy’s Accounts but for clause (ii) of the definition of GE/Macy’s Accounts, and (c) would constitute May Accounts but for clause (ii) of the definition of May Accounts.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Constituent Documents*” means the articles of association, articles of incorporation, certificate of incorporation, by-laws and/or other organizational documents, as appropriate, of any Person.

“*Contract*” means, with respect to any Person, any agreement, undertaking, contract, obligation, indenture, deed of trust or other instrument, document or agreement by which that Person, or any amount of its properties or assets, is bound and/or subject.

“*Credit Card*” means a proprietary or co-branded card that may be used by the Cardholder or authorized user to purchase goods and services, obtain cash advances or convenience checks and/or transfer balances through open-end revolving credit, commonly known as a credit or charge card; *provided* that the term does not include: (i) any gift card; (ii) any debit card, smart card, stored value card, electronic or digital cash card or any other card that does not provide the holder thereof with the ability to obtain credit other than through an overdraft line or similar feature; (iii) any secured card, including any card secured by a lien on real or other property or by a deposit (other than any credit card issued in respect of any Prepaid Employee Account (as defined in the Program Agreement), which shall be deemed a Credit Card for purposes of this Agreement); or (iv) any card issued to the holder of a securities brokerage account that allows the holder to obtain credit through a margin account.

“*Credit Card Account*” means any account under which a purchase, cash advance, credit transaction, convenience check or transfer balance may be or has been made by a Cardholder by means of a Credit Card, which is recorded as an Account on the computer system or internal processing system of FDS or any of its Subsidiaries, or any third party processor used by FDS or its Subsidiaries, and established pursuant to an Account Agreement.

“*Employees*” means all current and former full-time and part-time employees of FDS and its Subsidiaries (whether or not on vacation, military leave, sick leave, maternity leave, disability or other leave of absence) who are employed principally in connection with the Business, in their capacity as such.

“*Estimated FDS Purchase Price*” means the amount payable by the Purchaser on the First Closing Date in accordance with the Estimated First Closing Statement.

“*Estimated First Closing Statement*” means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(1), showing in reasonable detail the calculation of the Estimated FDS Purchase Price, based on data available as of the fifth Business Day preceding the First Cut-Off Time.

“Estimated GE/Macy’s Purchase Price” means the amount payable by the Purchaser on the Second Closing Date in accordance with the Estimated Second Closing Statement.

“Estimated May Purchase Price” means the amount payable by the Purchaser on the Third Closing Date in accordance with the Estimated Third Closing Statement or such other amount payable pursuant to Section 6.16.

“Estimated Second Closing Statement” means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(2), in each case showing in reasonable detail the calculation of the Estimated GE/Macy’s Purchase Price, based on data available as of the fifth Business Day preceding the Second Cut-Off Time.

“Estimated Third Closing Statement” means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(3), or such other Schedule as may be prepared pursuant to Section 6.16, in each case showing in reasonable detail the calculation of the Estimated May Purchase Price, based on data available as of the fifth Business Day preceding the Third Cut-Off Time.

“Excluded Assets” means the assets, properties and rights of the Sellers and their Affiliates, other than the FDS Assets, the GE/Macy’s Assets and the May Assets, including the following:

- (1) all rights under any Contracts other than (A) the Prime Securitization Documents, (B) the Account Agreements and (C) to the extent set forth in clause (9) of the definition of FDS Assets, the Assigned Contracts;
- (2) all rights to receive Interchange Fees with respect to Account transactions occurring prior to the First Cut-Off Time in the case of the FDS Accounts, the Second Cut-Off Time in the case of the GE/Macy’s Accounts or the Third Cut-Off Time in the case of the May Accounts;
- (3) all cash and cash equivalents on hand and cash and cash equivalents in bank accounts maintained by the Sellers or any of their Affiliates, other than in the Prime Securitization Bank Accounts;
- (4) all insurance policies maintained by or for the benefit of the Sellers or any of their Affiliates and all claims accrued thereunder;
- (5) all Intellectual Property Rights (including the FDS Licensed Marks), other than Transferred Intellectual Property;
- (6) all FDS Assets, GE/Macy’s Assets and May Assets sold or otherwise disposed of, and FDS Assets, GE/Macy’s Assets and May Assets otherwise becoming no longer a part of the Acquired Assets and Stock, in each case without violation of this Agreement;

-
- (7) all assets relating to the employee benefit agreements, plans or other arrangements of the Sellers and their Subsidiaries;
 - (8) all rights, claims, credits or other rights to payment, causes of action, or rights of set-off against third parties, other than those referred to in clause (13) of the definition of FDS Assets, clause (10) of the definition GE/Macy's Assets, and clause (10) of the definition of May Assets;
 - (9) the Constituent Documents of FDS Bank and May Bank;
 - (10) all licenses, permits or other authorizations of any Governmental Authorities held or used by the Sellers and their Affiliates, whether or not related to or used in the Business;
 - (11) all interests in real property of the Sellers and their Affiliates, whether or not related to or used in the Business;
 - (12) all tangible personal property of the Sellers and their Affiliates, whether or not related to or used in the Business;
 - (13) all right, title and interest of the Sellers and their Affiliates in and to any and all other assets and properties, of any kind whatsoever, that are not used in the conduct of the Business;
 - (14) all FDS Shopper Data (whether or not any portion thereof is duplicated in the Transferred Intellectual Property (and without limiting the Purchaser's rights to the Transferred Intellectual Property pursuant to this Agreement and the Program Agreement));
 - (15) all current Taxes receivable, deferred Tax assets and prepaid Taxes, Tax payments due from Affiliates, and entitlements to refunds or credits for overpayment of Taxes, all to the extent set forth in Article XI;
 - (16) all Charged Off Accounts;
 - (17) all amounts owing to the Sellers from the Cardholders with respect to Charged Off Accounts; and
 - (18) all Interchange Fees relating to the Charged Off Accounts.

Except in the case of any assets described in clause (15) above, the term "Excluded Assets" does not include any of the foregoing to the extent owned or held by Prime.

“Excluded Liabilities” means Liabilities of the Sellers or their Affiliates (or any of their respective predecessors), or GE Bank or its Affiliates (or any of their respective predecessors) with respect to the GE/Macy’s Assets, or May Co. or its Affiliates (or any of their respective predecessors) with respect to the May Assets, of any kind whatsoever, other than the Assumed Liabilities, whether presently in existence or arising hereafter, including:

(1) all Liabilities for Taxes (i) with respect to the FDS Assets, Prime, the Master Trusts or the Business for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the First Closing Date, (ii) with respect to the GE/Macy’s Assets for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the Second Closing Date, and (iii) with respect to the May Assets for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the Third Closing Date;

(2) all Liabilities of the Sellers or their Affiliates relating to the Employees, or any current or former employees, officers or directors of the Sellers or their Affiliates;

(3) all Liabilities to the extent related to or arising from any Excluded Asset;

(4) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the Business or the FDS Assets prior to the First Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the First Closing;

(5) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the GE/Macy’s Assets prior to the Second Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the Second Closing Date;

(6) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the May Assets prior to the Third Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the Third Closing Date;

(7) all loan loss reserves maintained by the Sellers and their Affiliates in respect of (i) the Accounts and (ii) the amounts owing in respect thereof from Cardholders;

(8) all legal, accounting, brokerage and finder’s fees, if any, or other fees and expenses incurred by any of the Sellers in connection with this Agreement or the consummation of the transactions contemplated hereby;

(9) all Liabilities related to, associated with or arising out of any employee benefit plans, programs, agreements or arrangements sponsored or maintained by the Sellers or their Affiliates, or with respect to which the Sellers or their Affiliates have any obligation; and

(10) all Liabilities from Loyalty Programs (as defined in the Program Agreement) arising out of all sales to Cardholders or authorized users of (i) Charged Off Accounts, (ii) FDS Accounts through the First Cut-Off Time Date, (iii) GE/Macy's Accounts through the Second Cut-Off Time Date, and (iv) May Accounts through the Third Cut-Off Time Date.

Except in the case of Tax Liabilities described in clause (1) hereof and in the definition of Prime Excluded Taxes, the term "Excluded Liabilities" does not include any Liabilities of Prime.

"*Federal Funds Rate*" means the offered rate as reported in *The Wall Street Journal* in the "Money Rates" section for reserves traded among commercial banks for overnight use in amounts of one million dollars (\$1,000,000) or more or, if no such rate is published for a day, the rate published for the preceding Business Day, calculated on a daily basis based on a 365 day year.

"*FDS Account*" means any Credit Card Account that exists and is owned by FDS or one of its Subsidiaries as of the First Cut-Off Time, other than (i) a GE/Macy's Account or a May Account and (ii) any Credit Card Account that, as of the First Cut-Off Time, has been (or should have been) charged off in accordance with the Sellers' standard policies and procedures as in effect on the date of this Agreement.

"*FDS Assets*" means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the FDS Accounts;
- (2) the Gross Receivables (other than Prime Securitization Receivables) on the FDS Accounts as of the First Cut-Off Time;
- (3) all Interchange Fees relating to the FDS Accounts and payable with respect to transactions occurring after the First Cut-Off Time;
- (4) the applications for FDS Accounts pending and solicitations for FDS Accounts outstanding;
- (5) the Account Agreements for the FDS Accounts;
- (6) the FDS Cardholder List;
- (7) the portion of the Master File, as of the First Cut-Off Time, applicable to the FDS Accounts;
- (8) the Prime Securitization Assets;
- (9) all rights of the Sellers arising under the Assigned Contracts in respect of periods on or after the First Closing;

(10) the Books and Records (if any), other than Books and Records that relate principally to the GE/Macy's Accounts or the May Accounts;

(11) FDS Bank's ICA numbers and bank identification numbers (BINs);

(12) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in connection with the FDS Accounts, including plastics, applications, and periodic statements; and

(13) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (12) above, in each case, arising upon or after the First Closing.

The term "FDS Assets" does not include any of the foregoing to the extent owned or held by Prime.

"*FDS Cardholder List*" means a list, as of the First Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the FDS Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

"*FDS Liabilities*" means the following Liabilities of the Sellers:

(1) except for the obligations of Prime, which shall be retained by Prime and transferred pursuant to this Agreement together with the Prime Stock, all of the obligations of the Sellers, as servicer or in any other capacity, to the Prime Master Trust and under any Prime Securitization Documents;

(2) all obligations of the Sellers arising under the Assigned Contracts in respect of periods on or after the First Closing (excluding any obligations to the extent related to any breach or default by any Seller under any Assigned Contract occurring prior to the First Closing);

(3) all Liabilities for Taxes relating to the FDS Assets or the Business for any period (or portion thereof, in the case of a Straddle Period) beginning after the First Closing Date (other than any Liabilities for Taxes in respect of the GE/Macy's Assets or the May Assets);

(4) all Liabilities to the extent related to, associated with or arising out of the FDS Assets or the operation of the Business by the Purchaser and its Affiliates (other than with respect to the GE/Macy's Assets or the May Assets), in each case from and after the First Closing Date;

(5) from and after the First Closing, all obligations to FDS Account Cardholders in their capacity as such or to perform under Account Agreements for the FDS Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers prior to the First Closing);

(6) all fees, operating assessments and other charges relating to the FDS Accounts that are incurred or accrue on or after the First Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements); and

(7) all obligations of the Sellers to perform from and after the First Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the FDS Accounts.

The term “FDS Liabilities” does not include any Liabilities of Prime.

“*FDS Licensed Marks*” has the meaning set forth in the Program Agreement.

“*FDS Purchase Price*” means the purchase price payable in accordance with the Final First Closing Statement, as finally determined in accordance with Section 2.3.

“*FDS Shopper Data*” has the meaning set forth in the Program Agreement.

“*Final First Closing Statement*” means a statement prepared by FDS substantially in the form of Schedule 1.1(b)(1), showing in reasonable detail FDS’s calculation of the FDS Purchase Price, based on the data available as of the First Cut-Off Time.

“*Final Second Closing Statement*” means a statement prepared by FDS, substantially in the form of Schedule 1.1(b)(2), showing in reasonable detail FDS’s calculation of the GE/Macy’s Purchase Price, based on the data available as of the Second Cut-Off Time.

“*Final Third Closing Statement*” means a statement prepared by FDS, substantially in the form of Schedule 1.1(b)(3), or such other statement as may be prepared pursuant to Section 6.16, in each case, showing in reasonable detail FDS’s calculation of the May Purchase Price, based on the data available as of the Third Cut-Off Time.

“*First Cut-Off Time*” means 11:59 P.M. Eastern time on the Saturday immediately preceding the First Closing Date.

“*First Instrument of Assignment and Assumption*” means the Instrument of Assignment and Assumption in the form attached as Annex B, to be entered into at the First Closing.

“*Fiscal Month*” has the meaning set forth in the Program Agreement.

“GAAP” means generally accepted accounting principles in the United States, consistently applied.

“GE Bank” means GE Capital Consumer Card Co., an Ohio banking corporation.

“GE/Macy’s Account” means a Credit Card Account owned by GE Bank or one of its Affiliates as of the Second Cut-Off Time and governed by the GE/Macy’s Program Agreement that exists as of the Second Cut-Off Time, other than (i) a May Account and (ii) any Credit Card Account that, as of the Second Cut-Off Time, has been (or should have been) charged off in accordance with the standard policies and procedures of GE Bank as in effect as of the date of this Agreement.

“GE/Macy’s Assets” means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the GE/Macy’s Accounts;
- (2) the Gross Receivables on the GE/Macy’s Accounts as of the Second Cut-Off Time;
- (3) all Interchange Fees relating to the GE/Macy’s Accounts and payable with respect to transactions occurring after the Second Cut-Off Time;
- (4) the applications for GE/Macy’s Accounts pending and solicitations for GE/Macy’s Accounts outstanding (if any);
- (5) the Account Agreements for the GE/Macy’s Accounts;
- (6) the GE/Macy’s Cardholder List;
- (7) the portion of the Master File, as of the Second Cut-Off Time, applicable to the GE/Macy’s Accounts;
- (8) the Books and Records that relate to the GE/Macy’s Accounts (if any);
- (9) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in connection with the GE/Macy’s Accounts, including plastics, applications, and periodic statements; and
- (10) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (9) above, in each case, arising upon or after the Second Closing.

“GE/Macy’s Cardholder List” means a list, as of the Second Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the GE/Macy’s Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

“*GE/Macy’s Liabilities*” means the following Liabilities of the Sellers:

(1) all Liabilities for Taxes relating to the GE/Macy’s Assets for any period (or portion thereof, in the case of a Straddle Period) beginning after the Second Closing Date;

(2) from and after the Second Closing, all obligations to GE/Macy’s Account Cardholders in their capacity as such or to perform under Account Agreements for the GE/Macy’s Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers or GE Bank prior to the Second Closing);

(3) all fees, operating assessments and other charges relating to the GE/Macy’s Accounts that are incurred or accrue on or after the Second Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements);

(4) all obligations of the Sellers to perform from and after the Second Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the GE/Macy’s Accounts; and

(5) all Liabilities to the extent related to, associated with or arising out of the GE/Macy’s Assets or the operation of the Business by the Purchaser or its Affiliates with respect to the GE/Macy’s Assets, in each case from and after the Second Closing.

“*GE/Macy’s Program Agreement*” means the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, by and among GE Capital Consumer Card Co., FDS, and the other parties thereto, as amended, restated or otherwise modified from time to time.

“*GE/Macy’s Purchase Price*” means the purchase price payable in accordance with the Final Second Closing Statement, as finally determined in accordance with Section 3.3.

“*Governmental Authority*” means any domestic or foreign governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other governmental, regulatory or self-regulatory entity exercising legislative, judicial, regulatory or administrative functions.

“*Gross Receivables*” means amounts owing (net of credit balances) to the Sellers from Cardholders with respect to Accounts (including outstanding loans, cash advances, balance consolidation receivables and other extensions of credit, accrued finance charges and late charges, whether or not posted, and any other accrued fees, charges and interest assessed on such Accounts, whether or not posted).

“*HSR Act*” means the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended.

“*Intellectual Property Right*” means any intellectual property right, including any trademark, service mark or other source indicator and all goodwill associated therewith, invention, patent, copyright, confidential or proprietary information (including trade secret and know-how) and any registration or application for registration of any of the foregoing.

“*Interchange Fees*” means the fees paid or payable in connection with the exchange of credit card transactions between members of the applicable Card Association pursuant to the applicable by-laws, rules and regulations of such Card Association.

“*Knowledge*” means, with respect to the Sellers, the actual knowledge of the persons named on Schedule 1.1(c)(1) hereto and, with respect to the Purchaser, the actual knowledge of the persons named on Schedule 1.1(c)(2) hereto, in each case after reasonable inquiry.

“*Liability*” means any debt, liability, commitment, obligation, claim or cause of action of any kind whatsoever, whether due or to become due, known or unknown, accrued or fixed, absolute or contingent, or otherwise.

“*Lien*” means, with respect to any property, any lien, security interest, mortgage, pledge, charge, encumbrance, adverse claim, reversion, reverter or restriction of any kind relating to that property, including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property.

“*Master File*” means the master file maintained by FDS Bank and its Affiliates with respect to the Accounts, including identification and other customer data and Account information, the names and addresses of Cardholders with respect to the Accounts and any and all Account adjustments made by or on behalf of the Sellers in the form attached hereto as Schedule 1.1(d).

“*Master Trusts*” means the collective reference to the Prime Master Trust and the Prime II Master Trust.

“*Material Adverse Effect*” means:

(a) with respect to the Business (or the Acquired Assets and Stock), any change, event or effect that is materially adverse to the assets, the results of operations or financial condition of the Business (or the Acquired Assets and Stock), taken as a whole, excluding any effect or change attributable to or resulting from (1) economic, business or financial conditions generally or events affecting the credit card services or consumer credit business, the banking or financial services industry or the retail department store industry to the extent such events or conditions do not have a disproportionate effect on the Business (or the Acquired Assets and Stock) relative to other entities operating businesses similar to the Business (or the Acquired Assets and Stock), (2) financial market conditions, including interest rates or changes therein, (3) changes in laws, GAAP

or regulatory accounting principles, (4) any action, omission, change, effect, circumstance or condition contemplated by this Agreement, or attributable to the signing and announcement of this Agreement with the Purchaser or the transactions contemplated by this Agreement and the Ancillary Agreements, or (5) any actions or omissions required by the terms of this Agreement or the Ancillary Agreements or any action taken or not taken at the request or direction of the other party or parties hereto; and/or

(b) with respect to the Sellers or the Purchaser, a material impairment of the ability of the relevant Person or Persons to perform its or their material obligations under this Agreement or the Ancillary Agreements on a timely basis.

“*May Account*” means a Credit Card Account owned by FDS or a Subsidiary of FDS prior to the Third Closing and associated with a retail division of May Co. as conducted as of the closing of May Merger (or a successor to such business as conducted by FDS and its Subsidiaries following the May Merger) that exists as of the Third Cut-Off Time, other than any Credit Card Account that, as of the Third Cut-Off Time, has been (or should have been) charged off in accordance with May Bank’s or the Sellers’ standard policies and procedures as in effect on the date of this Agreement.

“*May Assets*” means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the May Accounts;
- (2) the Gross Receivables on the May Accounts as of the Third Cut-Off Time;
- (3) all Interchange Fees relating to the May Accounts and payable with respect to transactions occurring after the Third Cut-Off Time;
- (4) the applications for May Accounts pending and solicitations for May Accounts outstanding (if any);
- (5) the Account Agreements for the May Accounts;
- (6) the May Cardholder List;
- (7) the portion of the Master File, as of the Third Cut-Off Time, applicable to the May Accounts;
- (8) the Books and Records that relate to the May Accounts (if any);
- (9) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in connection with the May Accounts, including plastics, applications, and periodic statements; and

(10) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (9) above, in each case, arising upon or after the Third Closing.

“*May Bank*” means May National Bank of Ohio.

“*May Cardholder List*” means a list, as of the Third Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the May Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

“*May Co.*” means The May Department Stores Company, a Delaware corporation.

“*May Liabilities*” means the following Liabilities of the Sellers:

(1) all Liabilities for Taxes relating to the May Assets for any period (or portion thereof, in the case of a Straddle Period) beginning after the Third Closing Date;

(2) from and after the Third Closing, all obligations to May Account Cardholders in their capacity as such or to perform under Account Agreements for the May Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers or its Affiliates prior to the Third Closing);

(3) all fees, operating assessments and other charges relating to the May Accounts that are incurred or accrue on or after the Third Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements);

(4) all obligations of the Sellers to perform from and after the Third Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the May Accounts; and

(5) all Liabilities to the extent related to, associated with or arising out of the May Assets or the operation of the Business by the Purchaser or its Affiliates with respect to the May Assets, in each case from and after the Third Closing.

“*May Merger*” means the merger of May Co. with and into Milan Acquisition Corp., a Subsidiary of FDS, pursuant to the Agreement and Plan of Merger, dated as of February 27, 2005, by and among FDS, Milan Acquisition Corp. and May Co., as amended or otherwise modified from time to time.

“May Purchase Price” means the purchase price payable in accordance with the Final Third Closing Statement, as finally determined in accordance with Section 3.3.

“Permissible Liens” means Liens (i) for Taxes, assessments and other governmental charges or levies (1) not yet due or (2) which are being contested in good faith by appropriate action and as to which adequate reserves for contested amounts have been set aside in accordance with GAAP or (ii) created under the Securitization Documents.

“Person” means any individual, corporation, business trust, partnership, association, limited liability company or similar organization, or any Governmental Authority.

“Previously Disclosed” means, with respect to the Sellers or the Purchaser, information set forth in the Schedules, whether in response to an express informational requirement or as an exception to one or more specified representations or covenants.

“Prime Excluded Taxes” means all:

- (1) Taxes imposed on or payable by Prime as a result of the Section 338(h)(10) Election;
- (2) Taxes imposed on any member of an affiliated, consolidated, combined or unitary group of which Prime is or was a member on or prior to the First Closing Date, including pursuant to Treasury Regulation Section 1.1502-6; and
- (3) Taxes imposed on or payable by the Purchaser or any of its Affiliates (including Prime and the Prime Master Trust) as a result of (a) a breach of the representation set forth in Section 5.1(o)(2) that is not attributable to an action by the Purchaser or any of its Affiliates on or after the First Closing Date or (b) a breach by FDS of the covenant set forth in Section 11.6(a).

“Prime Securitization Assets” means the collective reference to (i) any certificate or interest in the Prime Master Trust retained by FDS or any of its Subsidiaries; (ii) all right, title and interest of each of the Sellers in the Prime Securitization Bank Accounts; (iii) all right, title and interest of each of the Sellers in and to the Prime Securitization Receivables; and (iv) all other rights, title and interests of each of the Sellers and their Subsidiaries under each of the Prime Securitization Documents, in each case, other than the Prime Securitization Interests.

“Prime Securitization Bank Accounts” means any spread account, reserve account, collection account, principal funding account or other similar accounts created pursuant to the Prime Securitization Documents, including the bank accounts listed on Schedule 1.1(e).

“Prime Securitization Documents” means the Prime Pooling and Servicing Agreement and the other documents designated as such on Schedule 1.1(f).

“Prime Securitization Interests” means the interests in the Prime Securitization Assets held by Prime, including its interest in any transferor certificate or investor certificates retained or acquired by it, and the rights and obligations of Prime in its capacity as transferor under the Prime Securitization Documents.

“Prime Securitization Receivables” means, as of any date, the Gross Receivables that have been transferred to the Prime Master Trust and that have not been reassigned to the transferor under the Prime Pooling and Servicing Agreement.

“Prime Stock” means all of the outstanding shares of Prime Common Stock as of the First Closing Date.

“Prime II Securitization Documents” means the Prime II Pooling and Servicing Agreement and the other documents designated as such on Schedule 1.1(g).

“Prime II Securitization Receivables” means, as of any date, the Gross Receivables that have been transferred to the Prime II Master Trust and that have not been reassigned to the transferor under the Prime II Pooling and Servicing Agreement.

“Purchase Price” means the sum of the FDS Purchase Price, the GE/Macy’s Purchase Price and the May Purchase Price.

“Requirement of Law” means, with respect to any Person, any law, ordinance, statute, order, treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case binding on that Person or its property.

“Required Amendments and Confirmations” means all amendments to the Prime Securitization Documents in a form reasonably acceptable to the parties and the receipt of any consent required by any rating agency in order to consummate the transactions contemplated hereby without violation of the terms of any Prime Securitization Document.

“Requisite Regulatory Approvals” means the consents, registrations, approvals, permits or authorizations designated as such in the Schedule 5.1(c) with respect to the Sellers and Schedule 5.2(c) with respect to the Purchaser.

“Second Cut-Off Time” means 11:59 P.M. Eastern time on the Saturday immediately preceding the Second Closing Date.

“Second Instrument of Assignment and Assumption” means the Instrument of Assignment and Assumption in the form attached as Annex C, to be entered into at the Second Closing.

“Securitization Documents” means the collective reference to the Prime Securitization Documents and the Prime II Securitization Documents.

“Securitization Receivables” means, as of any date, the collective reference to the Prime Securitization Receivables and the Prime II Securitization Receivables.

“*Sellers*” means the collective reference to FDS, FDS Bank and Prime II; *provided* that with respect to the Second Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith) and the Third Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith), the “Sellers” shall mean FDS and FDS Bank.

“*Servicer*” means FDS, acting in its capacity as servicer, or any successor servicer, under and pursuant to the Prime Pooling and Servicing Agreement.

“*Servicer Default*” has the meaning ascribed to such term in the Prime Pooling and Servicing Agreement.

“*Straddle Period*” means any taxable period beginning on or before and ending after the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable.

“*Subsidiary*” when used with respect to any Person, means another Person, where an amount of the voting securities, or other voting ownership or voting partnership interests of the second Person sufficient to elect at least a majority of its board of directors or similar governing body (or if there are not such voting interests, fifty percent (50%) or more of the equity interest of which) is owned directly or indirectly by the first Person or by another Subsidiary of the first Person.

“*Tax Return*” means any return, declaration, report or similar statement required to be filed with respect to any Taxes (including any attached schedules) including any information return, claim for refund, amended return and declaration of estimated Tax.

“*Taxes*” means any income, alternative or add-on minimum tax, gross receipts, sales, use, transfer, gains, ad valorem, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax (domestic or foreign).

“*Termination Fee*” means the amount designated as such on Schedule 1.1(h).

“*Third Cut-Off Time*” means 11:59 P.M. Eastern time on the Saturday immediately preceding the Third Closing Date.

“*Third Instrument of Assignment and Assumption*” means the Instrument of Assignment and Assumption in the form attached as Annex D, to be entered into at the Third Closing.

“*Transferred Intellectual Property*” means all rights to the FDS Cardholder List, the GE/Macy’s Cardholder List, the May Cardholder List and the Master File (in each case, subject to the restrictions set forth in the Program Agreement).

(b) Each of the following terms is defined in the section of this Agreement set forth opposite such term:

<u>Term</u>	<u>Section</u>
<i>Actions</i>	6.11(a)
<i>Accountant</i>	2.3(c)
<i>Adverse Development</i>	5.1(m)
<i>Agreement</i>	Preamble
<i>CEBA Bank</i>	Recitals
<i>CEBA Capital Stock</i>	5.2(n)
<i>CEBA Equity Interests</i>	6.14(c)
<i>Confidentiality Agreements</i>	6.3(c)
<i>Credit Card Marks</i>	6.7
<i>De Minimis Claim</i>	12.2
<i>Exchange Act</i>	5.1(e)
<i>FDS</i>	Preamble
<i>FDS Account Assets</i>	11.6(b)
<i>FDS Allocation Amount</i>	11.6(b)
<i>FDS Bank</i>	Preamble
<i>FDS Confidentiality Agreement</i>	6.3(c)
<i>First Closing</i>	2.4(a)
<i>First Closing Allocation</i>	11.6(b)
<i>First Closing Date</i>	2.4(a)
<i>First Purchase and Assumption</i>	2.4(a)
<i>Form 8023</i>	11.6(a)
<i>GE/Macy's Account Assets</i>	11.6(d)
<i>Indemnified Party</i>	12.4(a)
<i>Indemnifying Party</i>	12.4(a)
<i>Interim Services</i>	6.17
<i>IRS</i>	11.6(a)
<i>Jones Day Opinion</i>	6.18(a)
<i>Losses</i>	12.2
<i>May Account Assets</i>	11.6(e)
<i>May Business</i>	6.1(b)
<i>May Confidentiality Agreement</i>	6.3(c)
<i>Minimum FDS Allocation</i>	11.6(b)
<i>Minimum GE/Macy's Allocation</i>	11.6(d)
<i>Minimum May Allocation</i>	11.6(e)
<i>OCC</i>	10.4(b)
<i>Pooling and Servicing Agreements</i>	Recitals
<i>Prime</i>	Recitals
<i>Prime Allocation</i>	11.6(c)
<i>Prime Common Stock</i>	5.1(q)
<i>Prime Master Trust</i>	Recitals
<i>Prime Pooling and Servicing Agreement</i>	Recitals
<i>Prime II</i>	Preamble

<u>Term</u>	<u>Section</u>
<i>Prime Stock Amount</i>	11.6(b)
<i>Prime II Master Trust</i>	Recitals
<i>Prime II Pooling and Servicing Agreement</i>	Recitals
<i>Program Agreement</i>	Recitals
<i>Purchaser</i>	Preamble
<i>SEC</i>	5.1(e)
<i>SEC Documents</i>	5.1(e)
<i>Second Closing</i>	3.4(a)
<i>Second Closing Allocation</i>	11.6(d)
<i>Second Closing Date</i>	3.4(a)
<i>Second Purchase and Assumption</i>	3.4(a)
<i>Section 338(h)(10) Election</i>	11.6(a)
<i>Securities Act</i>	5.1(e)
<i>Servicer Default or Termination</i>	5.1(m)
<i>Specified Assets</i>	5.1(s)(1)
<i>Tax Contest</i>	11.8
<i>Third Closing</i>	4.4(a)
<i>Third Closing Allocation</i>	11.6(e)
<i>Third Closing Date</i>	4.4(a)
<i>Third Purchase and Assumption</i>	4.4(a)

SECTION 1.2. *Interpretation.*

(a) In this Agreement, unless the context otherwise requires, references to:

(1) the *Preamble* or the *Recitals*, *Sections*, *Annexes* or *Schedules* refer to the Preamble or a Recital or Section of, or Annex or Schedule to, this Agreement;

(2) any *Contract* (including this *Agreement*) refer to the Contract as amended, modified, supplemented or replaced from time to time, in a manner permitted by this Agreement;

(3) any *statute* or *regulation* refer to the statute or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any *section of any statute or regulation* include any successor to the section;

(4) any *Governmental Authority* include any successor to the Governmental Authority; and

(5) this *Agreement* are to this Agreement and the Schedules to it.

(b) The table of contents and headings contained in this Agreement are for reference purposes only and do not limit or otherwise affect any of the provisions of this Agreement.

(c) The references to “Second Closing and “Third Closing” and similar terms are not intended to dictate the order in which the events referred to using those terms must occur. The Third Closing may occur prior to the Second Closing.

(d) Whenever the word “include,” “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation.”

(e) This Agreement is the product of negotiation by the parties having the assistance of counsel and other advisers. It is the intention of the parties that this Agreement not be construed more strictly with regard to one party than with regard to any other.

ARTICLE II

FIRST CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 2.1. *Purchase and Sale of FDS Assets and the Prime Stock.* On the terms and subject to the conditions of this Agreement, at the First Closing and effective from and after the First Closing Date, the Sellers shall sell, convey and assign (or cause their Subsidiaries to sell, convey and assign) to the Purchaser, free and clear of all Liens, except Permissible Liens, and the Purchaser shall purchase, the FDS Assets and the Prime Stock. Immediately following receipt of the FDS Assets and the Prime Stock, the Purchaser shall transfer, contribute or otherwise assign the FDS Assets and the Prime Stock to CEBA Bank.

SECTION 2.2. *Assumption of FDS Liabilities.* On the terms and subject to the conditions of this Agreement, at the First Closing and effective from and after the First Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the FDS Liabilities. Immediately following its assumption of the FDS Liabilities, the Purchaser shall cause CEBA Bank to assume the FDS Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates, as applicable. The GE/Macy’s Liabilities shall be retained by the Sellers and their Affiliates, as applicable, until the Second Closing. The May Liabilities shall be retained by the Sellers and their Affiliates (or May Co. and its Affiliates), as applicable, until the Third Closing.

SECTION 2.3. FDS Purchase Price; FDS Purchase Price Adjustment.

(a) On the second Business Day before the First Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated First Closing Statement reflecting the Sellers’ good faith calculation of the Estimated FDS Purchase Price to be paid by the Purchaser at the First Closing.

(b) Within forty-five (45) days after the First Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final First Closing Statement prepared based on the information in the Master File, other than information relating to the GE/Macy’s Accounts, as of the First Cut-Off Time and copies of the Master File, other than information relating to the GE/Macy’s Accounts, as of the First Cut-Off Time.

(c) The Purchaser shall, within forty-five (45) days after receipt of the Final First Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the Final First Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(1) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within sixty (60) days following receipt of the Final First Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by Deloitte Touche Tohmatsu (the “Accountant”). The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant’s determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the FDS Purchase Price and the amount determined by the Accountant.

(d) If the Estimated FDS Purchase Price exceeds the FDS Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the FDS Purchase Price has been finally determined pursuant to Section 2.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to the Purchaser, together with interest on the foregoing amount for the period from and including the First Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated FDS Purchase Price is less than the FDS Purchase Price, then the Purchaser shall, within five (5) Business Days after the FDS Purchase Price has been finally determined pursuant to Section 2.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the First Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such other parties to enable them to verify the amounts set forth in the Final First Closing Statement.

SECTION 2.4. *The First Closing.*

(a) The closing (the “First Closing”) of the purchase and sale of the FDS Assets and the Prime Stock and the assumption of the FDS Liabilities hereunder (collectively, the “First Purchase and Assumption”) shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article VII (other than conditions relating solely to the delivery of documents to be dated the First Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the “First Closing Date”).

(b) At the First Closing, the Purchaser shall, and the Sellers shall and shall cause Prime to, deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the FDS Assets, the Prime Stock and the FDS Liabilities, respectively (which shall be the First Instrument of Assignment and Assumption), (ii) a receipt for the FDS Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the First Closing, the Purchaser shall pay the Estimated FDS Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the First Closing Date to an account specified by FDS at least three (3) Business Days prior to the First Closing Date.

(d) Immediately following the First Closing, the Purchaser shall cause CEBA Bank to issue to FDS Bank (or its assignee), and FDS Bank (or its assignee) shall purchase, the CEBA Equity Interests, for a purchase price equal to one hundred dollars (\$100) payable by wire transfer of immediately available funds to an account or accounts specified by the Purchaser at least three (3) Business Days prior to the First Closing Date.

ARTICLE III

SECOND CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 3.1. *Purchase and Sale of the GE/Macy's Assets.* On the terms and subject to the conditions of this Agreement, at the Second Closing and effective from and after the Second Closing Date, the Sellers shall sell, convey and assign (or cause their Subsidiaries to sell, assign or convey) to Purchaser, free and clear of all Liens, except Permissible Liens, the GE/Macy's Assets, and the Purchaser shall purchase the GE/Macy's Assets. Immediately following receipt of the GE/Macy's Assets, the Purchaser shall transfer, contribute or otherwise assign the GE/Macy's Assets to CEBA Bank.

SECTION 3.2. *Assumption of the GE/Macy's Liabilities.* On the terms and subject to the conditions of this Agreement, at the Second Closing and effective from and after the Second Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the GE/Macy's Liabilities. Immediately following its assumption of the GE/Macy's Liabilities, the Purchaser shall cause CEBA Bank to assume the GE/Macy's Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates or GE Bank and their Affiliates, as applicable. The May Liabilities shall be retained by the Sellers and their Affiliates, as applicable, until the Third Closing.

SECTION 3.3. *GE/Macy's Purchase Price; GE/Macy's Purchase Price Adjustment.*

(a) On the second Business Day before the Second Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated Second Closing Statement reflecting the Sellers' good faith calculation of the Estimated GE/Macy's Purchase Price to be paid by the Purchaser at the Second Closing.

(b) Within forty-five (45) days after the Second Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final Second Closing Statement prepared based on the information in the Master File with respect to the GE/Macy's Accounts as of the Second Cut-Off Time and copies of the Master File with respect to the GE/Macy's Accounts as of the Second Cut-Off Time.

(c) The Purchaser shall, within forty-five (45) days after receipt of the Final Second Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the Final Second Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(2) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within sixty (60) days following receipt of the Final Second Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by the Accountant. The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant's determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the GE/Macy's Purchase Price and the amount determined by the Accountant.

(d) If the Estimated GE/Macy's Purchase Price exceeds the GE/Macy's Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the GE/Macy's Purchase Price has been finally determined pursuant to Section 3.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to the Purchaser, together with interest on the foregoing amount for the period from and including the Second Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated GE/Macy's Purchase Price is less than the GE/Macy's Purchase Price, then the Purchaser shall, within five (5) Business Days after the GE/Macy's Purchase Price has been finally determined pursuant to Section 3.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the Second Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such parties to enable them to verify the amounts set forth in the Final Second Closing Statement.

SECTION 3.4. *The Second Closing.*

(a) The closing (the “Second Closing”) of the purchase and sale of the GE/Macy’s Assets and assumption of the GE/Macy’s Liabilities hereunder (collectively, the “Second Purchase and Assumption”) shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article VIII (other than conditions relating solely to the delivery of documents to be dated the Second Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the “Second Closing Date”). The parties understand and intend that the Second Purchase and Assumption shall occur concurrently with the termination of the GE/Macy’s Program Agreement.

(b) At the Second Closing, the Purchaser and the Sellers shall deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the GE/Macy’s Assets and the GE/Macy’s Liabilities, respectively (which shall be the Second Instrument of Assignment and Assumption), (ii) a receipt for the GE/Macy’s Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the Second Closing, the Purchaser shall pay the Estimated GE/Macy’s Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the Second Closing Date to an account or accounts specified by FDS at least three (3) Business Days prior to the Second Closing Date.

ARTICLE IV THIRD CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 4.1. *Purchase and Sale of the May Assets.* On the terms and subject to the conditions of this Agreement, at the Third Closing and effective from and after the Third Closing Date, the Sellers shall or shall cause May Bank to sell, convey and assign to Purchaser, free and clear of all Liens, except Permissible Liens, the May Assets, and the Purchaser shall purchase the May Assets. Immediately following receipt of the May Assets, the Purchaser shall transfer, contribute or otherwise assign the May Assets to CEBA Bank.

SECTION 4.2. *Assumption of the May Liabilities.* On the terms and subject to the conditions of this Agreement, at the Third Closing and effective from and after the Third Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the May Liabilities. Immediately following its assumption of the May Liabilities, the Purchaser shall cause CEBA Bank to assume the May Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates, as applicable.

SECTION 4.3. *May Purchase Price; May Purchase Price Adjustment.*

(a) On the second Business Day before the Third Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated Third Closing Statement reflecting the Sellers' good faith calculation of the Estimated May Purchase Price to be paid by the Purchaser at the Third Closing.

(b) Within forty-five (45) days after the Third Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final Third Closing Statement prepared based on the information in the Master File with respect to the May Accounts as of the Third Cut-Off Time and copies of the Master File with respect to the May Accounts as of the Third Cut-Off Time.

(c) The Purchaser shall, within thirty (30) days after receipt of the Final Third Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the Final Third Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(3) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within forty-five (45) days following receipt of the Final Third Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by the Accountant. The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant's determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the May Purchase Price and the amount determined by the Accountant.

(d) If the Estimated May Purchase Price exceeds the May Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the May Purchase Price has been finally determined pursuant to Section 4.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to the Purchaser, together with interest on the foregoing amount for the period from and including the Third Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated May Purchase Price is less than the May Purchase Price, then the Purchaser shall, within five (5) Business Days after the May Purchase Price has been finally determined pursuant to Section 4.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the Third Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such parties to enable them to verify the amounts set forth in the Final Third Closing Statement.

SECTION 4.4. *The Third Closing.*

(a) The closing (the “*Third Closing*”) of the purchase and sale of the May Assets and assumption of the May Liabilities hereunder (collectively, the “*Third Purchase and Assumption*”) shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on a date specified by FDS (upon not less than ninety (90) days’ prior written notice to the Purchaser) occurring no more than twelve (12) months following the date of the closing of the May Merger (and following the completion of reasonable due diligence as set forth in Section 6.16) and no earlier than the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article IX (other than conditions relating solely to the delivery of documents to be dated the Third Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the “*Third Closing Date*”).

(b) At the Third Closing, the Purchaser and the Sellers shall deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the May Assets and the May Liabilities, respectively (which shall be the Third Instrument of Assignment and Assumption), (ii) a receipt for the May Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the Third Closing, the Purchaser shall pay the Estimated May Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the Third Closing Date to an account or accounts specified by FDS at least three (3) Business Days prior to the Third Closing Date.

ARTICLE V REPRESENTATIONS OF THE PARTIES

SECTION 5.1. *Representations of FDS.* Except as Previously Disclosed against a specific representation and warranty set forth in this Section 5.1 and other than with respect to the May Assets and the May Liabilities, FDS represents to the Purchaser as follows:

(a) Existence and Authority. FDS Bank is a stock savings bank, duly organized, validly existing and in good standing under the laws of the United States of America. Each of FDS, Prime and Prime II is duly organized, validly existing and in good standing under its jurisdiction of organization. Each of the Sellers and Prime has the requisite power and authority to own the Acquired Assets and Stock owned by it and to carry on the Business as currently conducted by it, and is duly qualified to do business in each jurisdiction where the ownership or operation of the Acquired Assets and Stock owned or operated by it or the conduct of the Business conducted by it requires such qualification, except for any failure to have such authority or be so qualified that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(b) Authorization and Validity. Each Seller has the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is a party. Each of this Agreement and each Ancillary Agreement has been duly authorized by each Seller party thereto by all necessary corporate action. This Agreement has been duly executed and delivered by each Seller party hereto and each Ancillary Agreement has been, or shall have been at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly executed and delivered by each Seller party thereto. Assuming that this Agreement has been, and that the Ancillary Agreements have been or shall be on or prior to the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly authorized, executed and delivered by the Purchaser, this Agreement is, and the Ancillary Agreements are or shall be at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), the legal, valid and binding obligations of the Sellers party hereto and thereto, enforceable against such Sellers in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles.

(c) Governmental and Third-Party Consents. No notices, reports or other filings are required to be made by the Sellers or Prime with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Sellers or Prime from, any Governmental Authority or any other third party in connection with the execution, delivery or performance of this Agreement and the Ancillary Agreements by the Sellers or the consummation by them of the transactions contemplated by this Agreement or the Ancillary Agreements, except for (i) the Requisite Regulatory Approvals, (ii) the Required Amendments and Confirmations and (iii) such other notices, reports, filings, consents, registrations, approvals, permits or authorizations the failure to obtain would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers. FDS has no reason to believe that the Sellers will not be able to obtain the Requisite Regulatory Approvals required to be obtained by them on a timely basis.

(d) No Conflicts. The execution, delivery and performance by the applicable Sellers of this Agreement and the Ancillary Agreements do not, and (subject to obtaining the Requisite Regulatory Approvals, the Required Amendments and Confirmations and other Previously Disclosed governmental and third-party consents, registrations, approvals, permits and authorizations referred to in Section 5.1(c)) the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not:

- (1) breach, violate, conflict with, or be prohibited by the Constituent Documents of the Sellers or Prime;
- (2) breach, violate, conflict with, or be prohibited by any Requirement of Law or Applicable Order applicable to the Sellers or Prime;
- (3) breach, violate, conflict with, be prohibited by, require any additional approval under or result in a default under the terms, conditions or provisions of any Contract of any of the Sellers or Prime, or give any third party the right to terminate or cancel any right of any Seller or Prime under any Contract of such Person, or accelerate the performance of its obligations thereunder; or

(4) result in the creation of any Lien on the properties or assets of any of the Sellers or Prime, including the Acquired Assets and Stock, other than Permissible Liens;

except in each case described in clause (3) or (4), for any breach, violation, default, termination, cancellation, acceleration or Lien that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers.

(e) SEC Reports; Other Financial Information.

(1) The Prime Master Trust and Prime have each filed with the Securities and Exchange Commission (the “SEC”) all forms, reports and other documents (including all prospectuses and registration statements) required to be filed by it with respect to all periods commencing on or after January 1, 2002 (the “SEC Documents”). As of their respective filing dates (or effective dates, in the case of prospectuses and registration statements), the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933 (the “Securities Act”) or the Securities Exchange Act of 1934 (the “Exchange Act”), as applicable, and the rules and regulations of the SEC promulgated thereunder, as modified by SEC staff interpretive or no-action positions relating to credit card securitizations and did not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(2) The financial information included in the items listed in Schedule 5.1(e)(2) was true and accurate in all material respects as of the dates set forth therein.

(f) Absence of Certain Changes. Since January 29, 2005, the Business has been conducted in the ordinary course of business consistent with past practice and there has not been (1) any material change in: (x) any financial accounting practices, policies or procedures (to the extent any such change would be binding on or otherwise affect the Business or the Purchaser following the Closing, and except for any change in accounting practices, policies and procedures required by reason of a concurrent change in GAAP); (y) any collections, pricing, origination, charge-off, reaging, credit or underwriting practices, policies and procedures of Sellers with respect to the Accounts; or (z) the servicing practices, policies and procedures of the Sellers with respect to the Gross Receivables or the Prime Securitization Receivables, except in each case for any such changes after the date hereof as approved in writing by the Purchaser, or (2) any Material Adverse Effect on the Business or the Sellers.

(g) Title to Properties; Encumbrances. A Seller has good title to or a valid leasehold interest in, or is licensed or otherwise entitled to use, all of the Acquired Assets and Stock (other than the Accounts, to which Section 5.1(l) is applicable), free and clear of all Liens, other than Permissible Liens. Upon consummation of the transactions contemplated by this Agreement, including the execution and delivery of the documents to be delivered at the First Closing, at the First Closing (and at the Second Closing with respect to the GE/Macy's Assets), the Purchaser shall be vested with good and marketable title in and to the Acquired Assets and Stock (other than the Accounts, to which Section 5.1(l) is applicable), free and clear of all Liens other than Permissible Liens, and the Required Amendments and Confirmations when obtained and effective, shall constitute a valid assignment of the Sellers' rights and interest in the applicable Securitization Documents enforceable against the Sellers and, upon the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, against all other persons.

(h) Litigation. FDS has Previously Disclosed a list and a summary description of each pending Action with respect to Accounts pending as of the date hereof in which the Seller or any of its Affiliates (or the Seller or any of its Affiliates or GE Bank or any of its Affiliates in the case of GE/Macy's Accounts) is a named defendant. There are no actions, suits, proceedings or claims pending, in arbitration or before any Governmental Authority, against any of the Sellers or Prime or their Subsidiaries, or to the Sellers' Knowledge, threatened against any of the Sellers or Prime or their Subsidiaries, in each case that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(i) Contracts. Each Assigned Contract constituting part of the Acquired Assets and Stock is a valid, legally binding agreement of the Seller or Subsidiary thereof that is party thereto. The Sellers have made available to the Purchaser true and complete copies of all Assigned Contracts. Neither such Seller or Subsidiary nor, to the Sellers' Knowledge, any other party thereto is in default under the terms of any such Contract, except for any such failures to be valid and binding and such defaults as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers. None of the Sellers or any Subsidiary of any Seller has received any written notice of termination, cancellation, breach or default under any Assigned Contract.

(j) Books and Records. All Books and Records of the Sellers relating to the Business, the Master File, the FDS Cardholder List, the GE/Macy's Cardholder List and the May Cardholder List have been maintained accurately and in accordance with all Requirements of Law applicable to the Sellers and the Business in all material respects.

(k) Compliance with Laws. Except to the extent that a breach of any of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers:

(1) since January 1, 2003, the Sellers and Prime have been in compliance with all Requirements of Law relating to the Business and the Acquired Assets and Stock; and

(2) since January 1, 2003, the Sellers and Prime have not been subject to any capital plan or supervisory agreement, cease-and-desist or similar order or directive or memorandum of understanding between any of them and any Governmental Authority or issued by any Governmental Authority, nor has any of them adopted any board resolutions at the request of any Governmental Authority.

(l) Accounts.

(1) FDS Bank or Prime is the sole owner of and has good and marketable title to the FDS Accounts, the Gross Receivables on the FDS Accounts and the Prime Securitization Assets (subject in each case to the rights, claims and interests arising under the Securitization Documents). Upon the First Closing, subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, all right, title and interest in and to the FDS Accounts, the Gross Receivables on the FDS Accounts, and the Prime Securitization Assets shall vest or be vested in the Purchaser free and clear of all Liens other than Permissible Liens (and subject in each case to the rights, claims and interests arising under the Securitization Documents).

(2) As of the Second Closing, FDS Bank shall be the sole owner of and have good and marketable title to the GE/Macy's Accounts and the Gross Receivables on the GE/Macy's Accounts. This Agreement shall, following the Second Closing Date, and subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, vest in the Purchaser all right, title and interest in and to the GE/Macy's Accounts and the Gross Receivables on the GE/Macy's Accounts, free and clear of all Liens other than Permissible Liens.

(3) To the Sellers' Knowledge, each Account Agreement (other than any Account Agreement with respect to any Charged Off Account) is a valid and legally binding obligation of each obligor thereunder, including any cosigner, guarantor or surety, and is enforceable against such obligors in accordance with its terms, subject to (i) possible claims and defenses on disputed card transactions asserted by a Cardholder, (ii) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally and the effect of general equitable principles, and (iii) the Servicemembers Civil Relief Act.

(4) Since January 29, 2005, except for changes after the date hereof permitted by Section 6.2, (i) the Sellers have not effected any material change in operating policies and procedures of the Business relating to the maintenance of, and collection policies with respect to, the Accounts (other than changes permitted to be made by GE Bank pursuant to the GE/Macy's Program Agreement) and (ii) the Business has been operated in all material respects in compliance with the policies and procedures of the Sellers and GE Bank (other than changes permitted to be made by GE Bank pursuant to the GE/Macy's Program Agreement).

(5) Each Account complies with, and was solicited and opened in accordance with, in all material respects the applicable rules and regulations of the applicable Card Association.

(6) Each Account complies in all material respects with the applicable Account Agreement.

(7) All Account applications have been taken and evaluated and applicants notified in a manner that complied with all applicable Requirements of Law.

(8) All Accounts have been solicited, originated, maintained and serviced in compliance with all applicable Requirements of Law.

(9) All disclosures made in connection with the Accounts complied in all material respects with all applicable Requirements of Law.

(10) To the Sellers' Knowledge, each of the Gross Receivables arises from or in connection with a bona fide sale or loan transaction (including any amounts in respect of finance charges, annual fees and other charges and fees assessed on the Accounts).

(m) Securitization. Except to the extent that any breaches of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers:

(1) each Seller or Prime and, to the Knowledge of Sellers, each other party thereto has performed in all material respects each obligation to be performed by it under each of the Prime Securitization Documents, including the filing of any financing statements, continuation statements or amendments under the Uniform Commercial Code of each applicable jurisdiction with the appropriate filing offices;

(2) each of the Prime Securitization Interests, each series of certificates in Prime Master Trust and each of the Securitization Documents to which any Seller, Prime or Prime Master Trust, as the case may be, is a party is in full force and effect and is a valid, binding and enforceable obligation of such Seller, Prime or Prime Master Trust, as the case may be, and to the Knowledge of Sellers, the other parties thereto, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles;

(3) true and complete copies of the Prime Securitization Documents have been made available to Purchaser and there have been no amendments or modifications to the Securitization Documents made since the date such copies were made available to Purchaser;

(4) the Prime Pooling and Servicing Agreement is not required to be qualified as an indenture under the Trust Indenture Act of 1939, as amended, and the Prime Master Trust is not required to be registered as an investment company under the Investment Company Act of 1940, as amended;

(5) Prime is the sole owner of the transferor interest under the Prime Securitization Documents;

(6) the listing of the Securitization Documents set forth in Schedule 1.1(f) and Schedule 1.1(g) is a true, accurate and complete list of the Contracts to which any of the Sellers, Prime or Prime II is a party relating to the Master Trusts;

(7) no interests in the Prime Master Trust have been issued since December 2004;

(8) no event or condition exists which is or with either notice or the passage of time would (i) constitute a default, event of default, amortization event, specified event or other event or circumstance, (ii) require any accelerated application of cash flows received in respect of the Prime Securitization Receivables, or (iii) trigger any requirement under any Prime Securitization Document to (A) fund an increase in any spread account, reserve account or similar account, (B) draw on any such account under the terms of any Prime Securitization Document or (C) otherwise increase any credit enhancement required under the Prime Securitization Documents (each, an “*Adverse Development*”);

(9) no event or condition exists which constitutes an Adverse Development or a Servicer Default or other similar event permitting the termination of the Servicer under the Prime Securitization Documents (a “*Servicer Default or Termination*”); and

(10) assuming all required consents and approvals referred to in Section 5.1(c) are obtained, the consummation of the transactions contemplated hereby (including, without limitation, the execution and delivery of the Required Amendments and Confirmations) shall not cause the occurrence of an Adverse Development or a Servicer Default or Termination.

(n) Servicing Qualifications. Each of FDS Bank and FACS Group, Inc. is licensed and qualified in all jurisdictions necessary to conduct the servicing activities with respect to the Accounts in which it is engaged in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(o) Taxes.

(1) The Sellers, Prime and the Master Trusts have filed all material Tax Returns that they were required to file (taking into account all applicable extensions) on or before the date hereof (in the case of the Sellers, solely to the extent of any Tax Returns related to the Business), and all Taxes required to be shown on such Tax Returns or otherwise due and owing with respect to Prime, the FDS Assets, the GE/Macy's Assets or the Business have been timely paid.

(2) For federal, Ohio and New York State Tax purposes, all interests in the Prime Master Trust held by Prime or sold to investors are indebtedness of Prime, interests in an entity other than an association taxable as a corporation or a publicly traded partnership, or interests in a disregarded entity.

(3) There are no pending or (to the Knowledge of the Sellers) threatened actions or proceedings for the assessment or collection of a material amount of Taxes with respect to Prime, nor has Prime or any Affiliate thereof received any notice or inquiry from any jurisdiction in which Prime does not currently file Tax Returns to the effect that Prime may be subject to taxation by such jurisdiction.

(p) No Brokers or Finders. The Assumed Liabilities do not include, and Prime has not incurred, any liability for any financial advisory fees, brokerage fees, commissions or finder's fees directly or indirectly in connection with this Agreement or the transactions contemplated hereby or by the Ancillary Agreements.

(q) Prime. The authorized capital stock of Prime consists of 100 shares of Common Stock, par value \$0.01 per share, of which 100 shares are issued and outstanding ("*Prime Common Stock*"). All of the issued and outstanding shares of Prime Common Stock are beneficially and legally owned by FDS, free and clear of all Liens. All of the issued and outstanding shares of Prime Common Stock are duly authorized, validly issued, fully paid and nonassessable. There are no outstanding (i) securities convertible into or exchangeable for Prime Common Stock, (ii) options, warrants, calls or other rights to purchase or subscribe for Prime Common Stock or (iii) contracts of any kind to which Prime or any of its Affiliates is subject or bound requiring the issuance after the date of this Agreement of (x) Prime Common Stock, (y) any convertible or exchangeable security of the type referred to in clause (i) or (z) any options, warrants, calls or rights of the type referred to in clause (ii). Prime does not own, directly or indirectly, any equity interest or investment in any Person. Prime was established for the sole purpose of entering into, and engaging in the transactions contemplated by, the Prime Securitization Documents and since its formation, (i) has engaged in no other business activities, (ii) has conducted its business and operations only as contemplated by the Prime Securitization Documents and (iii) has no outstanding Liabilities.

(r) Intellectual Property. None of the Sellers, Prime and their Subsidiaries has granted any license or other right to any third party to use the Transferred Intellectual Property (i) in connection with any Credit Card program or (ii) that would violate any rights in the Transferred Intellectual Property granted to the Purchaser pursuant to the Program Agreement. To the Seller's Knowledge, there has been no misappropriation of any trade secrets or other confidential or proprietary information contained in the Transferred Intellectual Property by any Person.

(s) Certain Securitization Matters.

(1) None of (i) the FDS Accounts, the GE/Macy's Accounts or the May Accounts, as applicable; (ii) the Gross Receivables (other than the Prime Securitization Receivables) on such Accounts; and/or (iii) Interchange Fees, Account Agreements and Master Files related to such Accounts (collectively, the "*Specified Assets*") were acquired by the Seller thereof in contemplation of the transactions contemplated by this Agreement. No Seller of any of the Specified Assets has any rights under the Program Agreement to purchase any of the Program Assets (as defined in the Program Agreement) upon termination of the Program or otherwise, with any such purchase rights vesting solely in FDS and its Subsidiaries other than the Seller of such Specified Assets. In connection with the First Closing and Assumption, the Specified Assets that constitute FDS Assets will be sold by FDS Bank or Prime II to the Purchaser. In connection with the termination of the GE/Macy's Program Agreement, the Specified Assets that constitute GE/Macy's Assets will be sold by GE Bank and/or one of its Affiliates to FDS Bank and, in connection with the Second Closing and Assumption, be sold by FDS Bank to the Purchaser. In connection with the May Merger and the Third Closing and Assumption, the Specified Assets that constitute May Assets will either be sold (i) directly by May Bank and/or one of its Affiliates to the Purchaser or (ii) by May Bank and/or one of its Affiliates to FDS Bank and subsequently sold by FDS Bank to the Purchaser (it being understood that during the period from the closing of the May Merger until the Third Purchase and Assumption, the Specified Assets that constitute May Assets shall be owned by May Bank and/or one of its Affiliates reasonably acceptable to the Purchaser and/or FDS Bank).

(2) The Purchase Price for the Acquired Assets and Stock shall be fairly allocated among the Sellers and that portion of the Purchase Price allocable to the Acquired Assets and Stock transferred by each Seller shall be paid to such Seller. No allocation made pursuant to this Section 5.1(s)(2) shall apply for any Tax or accounting purposes.

(3) In the event FDS exercises the purchase right under the Program Agreement, FDS has no present intention to cause any particular entity to be the transferee of such Program Assets, with FDS reserving all rights to decide at the time of transfer who such transferee will be.

SECTION 5.2. *Representations of the Purchaser.* Except as Previously Disclosed, the Purchaser represents to the Sellers as follows:

(a) Existence and Authority. The Purchaser is a validly existing national banking association, duly organized and in good standing under the laws of the United States of America, and has the corporate power and authority to carry on its business as now conducted and to acquire and operate the Business as currently conducted or as proposed to be conducted. The Purchaser and its deposits are insured by the Federal Deposit Insurance Corporation to the fullest extent permitted by law.

(b) Authorization and Validity. The Purchaser has the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is a party. This Agreement and each Ancillary Agreement have been duly authorized by the Purchaser by all necessary corporate action. This Agreement has been duly executed and delivered by the Purchaser and each Ancillary Agreement has been or shall have been, at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly executed and delivered by the Purchaser. Assuming that this Agreement has been, and the Ancillary Agreements have been or shall be on or prior to the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly authorized, executed and delivered by the Sellers party thereto, this Agreement is, and the Ancillary Agreements shall be at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), the legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles.

(c) Governmental and Third-Party Consents. No notices, reports or other filings are required to be made by the Purchaser with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Purchaser from, any Governmental Authority or any other third party in connection with the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Purchaser, as applicable, or the consummation by the Purchaser of the transactions contemplated by this Agreement or the Ancillary Agreements, except for the Requisite Regulatory Approvals and for such other notices, reports, filings, consents, registrations, approvals, permits or authorizations the failure to obtain which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or on the Business following the First Closing Date. The Purchaser has no reason to believe that it will not be able to obtain the Requisite Regulatory Approvals on a timely basis.

(d) No Conflicts. The execution, delivery and performance by the Purchaser of this Agreement and the Ancillary Agreements do not, and (subject to obtaining the Requisite Regulatory Approvals and the other Previously Disclosed governmental and third-party consents, registrations, approvals, permits and authorizations referred to in Section 5.2(c)) the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not:

- (1) breach, violate, conflict with or be prohibited by the Purchaser's Constituent Documents;
- (2) breach, violate, conflict with or be prohibited by any Requirement of Law or Applicable Order applicable to the Purchaser; or
- (3) breach, violate, conflict with, be prohibited by, require any additional approval under or result in a default under the terms, conditions or provisions of any Contract of the Purchaser, or give any third party the right to terminate or cancel any right of the Purchaser, conflict with, be prohibited by, require any additional approval under any such Contract, or accelerate the performance of its obligation thereunder;

except in each case described in clause (3), for any breach, violation, default, termination, cancellation, acceleration or Lien that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or on the Business following the First Closing Date.

(e) Absence of Certain Changes. Since January 29, 2005, there has not been any change in the financial condition or results of operations of the Purchaser that has had, individually or in the aggregate, a Material Adverse Effect on the Purchaser or on the Business as of the First Closing Date.

(f) Compliance with Laws. Except to the extent that a breach of any of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or the Business as of the First Closing Date:

(1) the Purchaser is in compliance with all Requirements of Law relating to its credit card business; and

(2) neither the Purchaser nor any of its Affiliates is subject to any capital plan or supervisory agreement, cease-and-desist or similar order or directive or memorandum of understanding between it and any Governmental Authority or issued by any Governmental Authority, nor has any of them adopted any board resolutions at the request of any Governmental Authority.

(g) Servicing Qualifications. The Purchaser is licensed and qualified in all jurisdictions necessary to service the Accounts in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser or the Business or on the ability of the Purchaser to perform its duties as servicer, or on ability of the Purchaser to perform its duties as sub-servicer, under the Prime Pooling and Servicing Agreement following the First Closing Date.

(h) Financing. The Purchaser has sufficient cash, available lines of credit or other sources of immediately available funds to enable it to pay the Estimated FDS Purchase Price as required by Section 2.4(c), the Estimated GE/Macy's Purchase Price as required by Section 3.4(c), and the Estimated May Purchase Price as required by Section 4.4(c), and to timely pay any other amounts to be paid by it under this Agreement.

(i) Litigation. Except as described in filings made prior to the date hereof by the Purchaser or Citigroup, Inc. with the SEC, there are no actions, suits, proceedings or claims pending, in arbitration or before any Governmental Authority, against the Purchaser or its Affiliates, or to the Purchaser's Knowledge, threatened against Purchaser or any of its Affiliates, in each case that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser or on the Business.

(j) No Brokers or Finders. Any liability incurred by the Purchaser or its Affiliates for any financial advisory fees, brokerage fees, commissions or finder's fees directly or indirectly in connection with this Agreement or the transactions contemplated hereby or by the Ancillary Agreements shall be borne by the Purchaser.

(k) Restricted Securities. The Purchaser understands that the shares of Prime Stock are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to such laws, Purchaser must hold those securities indefinitely unless they are registered with the SEC and qualified by applicable state Governmental Authorities or an exemption from such registration and qualification is available.

(l) Investment Representation. The Purchaser is purchasing the Prime Stock for its own account with the present intention of holding such securities for investment purposes and not with a view to or for sale in connection with any public distribution of such securities in violation of any federal or state securities laws. The Purchaser is an "accredited investor" as defined in Regulation D promulgated by the SEC under the Securities Act. Purchaser understands the risks of the transactions contemplated hereby and of ownership of the Prime Stock. Purchaser acknowledges that the Prime Stock has not been registered under the Securities Act or any state or foreign securities laws and that the Prime Stock may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of unless such sale, transfer, offer, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and qualification under any applicable state or foreign securities laws or pursuant to an exemption from registration under the Securities Act and any applicable state or foreign securities laws.

(m) License. The Purchaser is licensed to participate in the programs of each of the Card Associations to the extent necessary to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and to perform its obligations hereunder and thereunder. The Purchaser is a member in good standing of the Card Associations.

(n) Organization and Capitalization of CEBA Bank. At the time of the First Closing, CEBA Bank will be a national bank, duly organized, validly existing and in good standing under the laws of the United States of America. At the time of the First Closing, all of the issued and outstanding shares of capital stock of CEBA Bank (the "*CEBA Capital Stock*") shall be beneficially and legally owned by the Purchaser, free and clear of all Liens other than Permissible Liens. All of the issued and outstanding shares of CEBA Capital Stock will be duly authorized, validly issued, fully paid and nonassessable (except as provided in 12 U.S.C. § 55). Upon the issuance of the CEBA Equity Interests to FDS Bank (or its assignee) pursuant to Section 2.4(d) all of the CEBA Equity Interests will be duly authorized, validly issued, fully paid and nonassessable (except as provided in 12 U.S.C. § 55). Other than as contemplated by this Agreement, there will be no outstanding (i) securities convertible into or exchangeable for CEBA Capital Stock, (ii) options, warrants, calls or other rights to purchase or subscribe for CEBA Capital Stock or (iii) contracts of any kind to which CEBA Bank or any of its Affiliates is subject or bound requiring the issuance after the date of this Agreement of (x) CEBA Capital Stock, (y) any convertible or exchangeable security of the type referred to in clause (i) or (z) any options, warrants, calls or rights of the type referred to in clause (ii). CEBA Bank will not own, directly or indirectly, any equity interest or investment in any Person.

(o) Operations of CEBA Bank. CEBA Bank will be established for the sole purpose of entering into, and engaging in the transactions contemplated by, this Agreement and the Ancillary Agreements, and following its formation, as of the First Closing, (i) will not have engaged in any other business activities other than organization and qualification of CEBA Bank under applicable Requirements of Law and with the applicable Governmental Authorities, (ii) will have conducted its business and operations only as contemplated by this Agreement or the Ancillary Agreements and applicable Requirements of Law and (iii) will not have incurred any Liabilities other than Liabilities incurred or arising out of this Agreement or the Ancillary Agreements or in connection with the organization and qualification of CEBA Bank under applicable Requirements of Law and with the applicable Governmental Authorities. CEBA Bank will not at any time during the Term (as defined in the Program Agreement) engage in any business or issue any Credit Cards except pursuant to the Program Agreement. CEBA Bank will at all times during the Term conform its operations so as to meet the requirements of 12 U.S.C. §1841(c)(2) or any comparable successor statute.

SECTION 5.3. *No Other Representations or Warranties; No Recourse*. Except as expressly set forth in this Article V or the Ancillary Agreements, neither the Sellers nor the Purchaser have made or make any other express or implied representations, or any express or implied warranty, either written or oral, with respect to the Acquired Assets and Stock, the Assumed Liabilities, the Sellers, the Business or the Purchaser, respectively, or as to any other matter whatsoever. Except as otherwise expressly provided herein or in any Ancillary Agreement, the sale of the Acquired Assets and Stock is without recourse of any kind to FDS or its Affiliates or to the Purchaser or its Affiliates. THE PURCHASER ACKNOWLEDGES THAT THE SELLERS DISCLAIM ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT OR ANY ANCILLARY AGREEMENT, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VI COVENANTS

SECTION 6.1. *Conduct of Business*.

(a) Except as otherwise contemplated hereby or by the Ancillary Agreements, and except for transactions in the ordinary course of business, until the First Closing Date (and, with respect to the GE/Macy's Assets, until the Second Closing Date), FDS and FDS Bank shall, and shall cause Prime to, conduct the Business (for purposes of this Section 6.1(a), after the First Closing, solely with respect to the GE/Macy's Assets and GE/Macy's Liabilities) or cause the Business to be conducted in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, FDS and FDS Bank shall (as it relates to the Business), and shall cause Prime to, use their respective reasonable best efforts to preserve intact the business organizations and relationships with third parties relating to the Business, to keep available the services of required employees of the Business

and to preserve beneficial relationships with customers in connection with the Business, following substantially the same practices and standards, in all material respects, including collection practices and accounting practices for charge-offs and reserves, as in effect on the date of this Agreement (subject to such changes therein as may be made by GE Bank in accordance with the provisions of the GE/Macy's Program Agreement).

(b) Prior to the closing of the May Merger, FDS shall not waive any of its contractual rights against May Co. to require May Co. to continue ordinary course operations and refrain from specified activities, in each case as such operations and activities relate to the credit card business of May Co., May Bank and their Subsidiaries (the "*May Business*"). From and after the closing of the May Merger, except as otherwise contemplated hereby or by the Ancillary Agreements, and except for transactions in the ordinary course of business, until the Third Closing Date, FDS and FDS Bank shall conduct the May Business or cause the May Business to be conducted in the ordinary course consistent with past practice (except to the extent permitted in Section 6.2). Without limiting the generality of the foregoing, subject to Section 6.2(b), FDS and FDS Bank shall (as it relates to the May Business) use their respective reasonable best efforts to preserve intact the business organizations and relationships with third parties relating to the May Business, to keep available the services of required employees of the May Business and to preserve beneficial relationships with customers in connection with the May Business, following substantially the same practices and standards, in all material respects, including collection practices and accounting practices for charge-offs and reserves, as in effect on the closing date of the May Merger.

SECTION 6.2. *Certain Changes.*

(a) Without limiting Section 6.1, except as otherwise contemplated hereby (including Section 6.2(b)) or by the Ancillary Agreements or as required by the applicable Requirements of Law or the GE/Macy's Program Agreement with respect to the GE/Macy's Assets, from the date of this Agreement until the First Closing Date (or, with respect to the GE/Macy's Assets, the Second Closing Date or, with respect to the May Assets, the Third Closing Date) without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld or delayed), the Sellers shall not and shall cause their Subsidiaries not to:

- (i) enter into or amend any Assigned Contract except in the ordinary course of the Business consistent with past practice and only to the extent such entry or amendment would not have a Material Adverse Effect on the Business;
- (ii) amend any of the Prime Securitization Documents;
- (iii) except for the acquisition of May Co., acquire a material amount of assets from any other Person or all or substantially all of the assets of any Person, whether by merger, asset purchase or otherwise, if, in either case, such assets would constitute Acquired Assets and Stock;

(iv) materially change the aggregate expenses that would be incurred by FDS and its Affiliates in the servicing of the Program or the performance of interim services in accordance with the Program Agreement;

(v) make any material change in: (x) any financial accounting practices, policies or procedures (to the extent any such change would be binding on or otherwise affect the Business or the Purchaser following the First Closing, the Second Closing or the Third Closing, as the case may be, and except for any change in accounting practices, policies and procedures required by reason of a concurrent change in GAAP); (y) any collections, pricing, origination, charge-off, reaging, credit or underwriting practices, policies and procedures of Sellers with respect to the Accounts; or (z) the servicing practices, policies and procedures of the Sellers with respect to the Gross Receivables or the Prime Securitization Receivables;

(vi) sell, lease or otherwise dispose of any of the Acquired Assets and Stock, except (1) in the ordinary course of business and in transactions that individually or in the aggregate with all such other dispositions would not have a Material Adverse Effect on the Sellers or the Business, (2) in connection with securitizations of receivables arising under the Accounts (*provided* that the benefits thereof are transferable to the Purchaser at the First Closing), (3) pursuant to the terms of Contracts or commitments existing as of the date of this Agreement and Previously Disclosed, or (4) as otherwise Previously Disclosed; or

(vii) except in the ordinary course of business consistent with past practice, settle any material claim, action or proceeding or waive any material rights or claims in respect of the Business in a manner that would adversely affect the Business or any of the Acquired Assets and Stock or Assumed Liabilities after the First Closing; or

(viii) agree with any Person or otherwise commit themselves to do any of the foregoing.

(b) Notwithstanding the provisions of Sections 6.1(b) and 6.2(a), FDS may sell assets that would otherwise constitute Acquired Assets hereunder in connection with dispositions by FDS of any stores or other retail channels of FDS and its Affiliates or May Co. and its Affiliates in connection with the May Merger; *provided* that (i) such dispositions shall be effected pursuant to a settlement with or other written commitment to a Governmental Authority in connection with such Governmental Authority's review of the May Merger or, (ii) if such dispositions are not effected pursuant to such a settlement or commitment referred to in clause (i), the Gross Receivables disposed of in connection with all such dispositions of May Assets effected prior to the closing of the May Merger in reliance upon this Section 6.2(b) shall not exceed \$150,000,000 in the aggregate.

(c) The parties acknowledge that FDS intends to use its commercially reasonable efforts following the closing of the May Merger to align to the extent reasonably practicable the account terms, policies, practices and procedures applicable to the May Accounts and the May Business with the account terms, policies, practices and procedures applicable to the other Accounts and the Business. Accordingly, notwithstanding the provisions of Sections 6.1(b) and 6.2(a), the Sellers and their Subsidiaries may make changes to the account terms, policies, practices and procedures applicable to the May Accounts and the May Business to the extent such changes are in furtherance of such alignment. The parties further acknowledge that the completion of such efforts by FDS is not a condition to the Purchaser's obligation to effect the Third Purchase and Assumption.

SECTION 6.3. *Access and Confidentiality.*

(a) Until the First Closing Date (and, with respect to the GE/Macy's Assets, until the Second Closing Date and with respect to the May Assets, following the closing of the May Merger and until the Third Closing Date), upon reasonable prior notice and subject to applicable Requirements of Law relating to the exchange of information, FDS and FDS Bank shall, and shall cause Prime to, permit the Purchaser and its authorized representatives to have reasonable access, during regular business hours for purposes consistent with this Agreement, to the properties and Books and Records relating to the Business, including the Master File, the FDS Cardholder List, the GE/Macy's Cardholder List and the May Cardholder List, to the extent that such access does not unduly interfere with the business of the Sellers; *provided* that the Purchaser and such representatives comply with the confidentiality obligations contained herein and in the Confidentiality Agreement; and *provided, further*, that the foregoing shall not (1) require the Sellers to permit any inspection, or to disclose any information, that in their reasonable judgment would result in the disclosure of any trade secrets of third parties or trade secrets of the Sellers or their Affiliates unrelated to the Business or violate any obligations of the Sellers to any third party with respect to confidentiality if the Sellers shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure or (2) require any disclosure by the Sellers that could, as a result of such disclosure, have the effect of causing the waiver of any attorney-client privilege.

(b) If this Agreement is terminated, each party, at its own expense, shall promptly deliver (without retaining any copies) to the other party or (at their option) confirm in writing to the other party that it has completely destroyed all information furnished to such party or its representatives by the other party or any of their agents, employees or representatives in connection with this Agreement, whether so obtained before or after the execution hereof, and all analyses, compilations, forecasts, studies or other documents prepared by such party or its representatives that contain or reflect any such information; *provided, however*, that the foregoing shall not apply to summary analyses made by such party that such party is required to retain (i) as part of the minutes of the proceedings of its board of directors or any committee thereof, or (ii) to comply with applicable Requirements of Law. Notwithstanding the return or destruction of such information by the receiving party and/or its agents, employees and representatives, the receiving party and its agents, employees and representatives will continue to be bound by its obligations hereunder and under the Confidentiality Agreements regarding the use and confidentiality of such information. Notwithstanding the foregoing provisions of this Section 6.3(b), the Purchaser shall not be required to return information relating to the FDS Assets or the FDS Liabilities after the First Closing, the GE/Macy's Assets or the GE/Macy's Liabilities after the Second Closing, or the May Assets or the May Liabilities after the Third Closing.

(c) In addition to the confidentiality arrangements contained herein, all information provided or obtained in connection with the transactions contemplated by this Agreement and by the Ancillary Agreements (including pursuant to clause (a) above) on or prior to the First Closing Date (or, with respect to information relating to the GE/Macy's Assets and GE/Macy's Liabilities, on or

prior to the Second Closing Date and with respect to information relating to the May Assets and May Liabilities, on or prior to the Third Closing Date) shall be held by the Purchaser in accordance with the Confidentiality Agreement, dated November 19, 2004 between Citicorp Credit Services Inc. (USA) and FDS (the “*FDS Confidentiality Agreement*”) and the Confidentiality Agreement, dated April 26, 2005 between Citicorp Credit Services Inc. (USA) and FDS (the “*May Confidentiality Agreement*” and together with the FDS Confidentiality Agreement, the “*Confidentiality Agreements*”). In the event of a conflict or inconsistency between the terms of this Agreement and the Confidentiality Agreements, the terms of this Agreement shall govern.

(d) The parties agree that monetary damages would not be a sufficient remedy for any breach of the foregoing provisions of this Section 6.3 and the provisions of the Confidentiality Agreements, and that, in addition to all other remedies, each Party will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any breach of the foregoing provisions of this Section 6.3 and the provisions of the Confidentiality Agreements.

(e) From the date hereof through the First Closing Date (and with respect to the GE/Macy’s Assets, through the Second Closing Date, and with respect to the May Assets, from the closing of the May Merger through the Third Closing Date), the Sellers shall provide to the Purchaser on a monthly basis the reports that would be required to be provided to the Purchaser pursuant to Section 7.1 of the Program Agreement following the Effective Date thereunder (or in the case of the May Assets, such similar existing reports as are reasonably available to FDS).

(f) From the date hereof through the Second Closing Date, the Sellers shall provide the Purchaser reasonable prior written notice (including a description of such change) of any material changes in the credit and underwriting, risk management, reaging, posting, collection or operating policies and procedures with respect to the Business made pursuant to the GE/Macy’s Program Agreement. From the date of the closing of the May Merger through the Third Closing Date, the Sellers shall provide the Purchaser reasonable prior written notice describing any such material changes to be made in connection with the May Business.

SECTION 6.4. *Reasonable Best Efforts; Other Filings.*

(a) Subject to the terms and conditions of this Agreement, the Purchaser shall, and shall cause its Subsidiaries to, and FDS and FDS Bank shall, and shall cause their Subsidiaries to, use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Requirements of Law, so as to permit consummation of the transactions contemplated by this Agreement as promptly as reasonably practicable and shall cooperate fully with each other to that end.

(b) Without limiting Section 6.4(a), FDS and FDS Bank shall, and shall cause their Subsidiaries to, and the Purchaser shall and shall cause its Affiliates to, use reasonable best efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all Governmental Authorities necessary to consummate the transactions contemplated

by this Agreement and the Ancillary Agreements, including taking all reasonable actions necessary to defend, mitigate or rescind the effect of any litigation or administrative proceeding involving any Governmental Authority adversely affecting the consummation of the transactions contemplated by this Agreement or the validity or enforceability of this Agreement, including promptly appealing any adverse court or administrative decision. Each of the Sellers, on the one hand, and the Purchaser, on the other hand, shall consult with the other with respect to the obtaining of such permits, consents, approvals and authorizations and to keep the other apprised of the status thereof. Subject to appropriate confidentiality and legal privilege protections, the Sellers and the Purchaser shall each furnish to the others such necessary information and reasonable assistance as any of the parties may reasonably request in connection with the foregoing.

(c) Without limiting the foregoing, the parties shall use their reasonable best efforts to obtain (i) the Requisite Regulatory Approvals with respect to the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption, and (ii) with the cooperation of FDS and its Subsidiaries, any licenses, permits or other qualifications with respect to the Purchaser or any of its Affiliates necessary to satisfy the condition set forth in Section 7.3(e) and to allow the Purchaser to perform its obligations under the Program Agreement, in each case in time to permit the First Closing Date to occur on or before August 29, 2005 or, if the First Closing Date has not then occurred, as promptly thereafter as reasonably practicable. The parties hereby agree, without any request or demand by the other parties, (i) to make all necessary filings related to the Requisite Regulatory Approvals with respect to the First Purchase and Assumption no later than fifteen (15) Business Days from the execution and delivery of this Agreement, (ii) to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested in connection with the receipt of the Requisite Regulatory Approvals and (iii) to prosecute actively all such filings and pursue the receipt of each Requisite Regulatory Approval and the licenses, permits or other qualifications referred to in clause (ii) above.

(d) The Sellers and the Purchaser agree to take such actions with respect to the Prime Securitization Assets and Prime Securitization Documents prior to the First Closing Date as the other parties may reasonably request, including those actions that are incident to the receipt of ratings confirmations from the rating agencies in connection with the purchase of the Prime Stock and the assumption by the Purchaser of the roles of servicer and transferor (and the role of the Purchaser as sub-servicer) under the Prime Securitization Documents.

(e) The Purchaser shall promptly notify the Sellers in writing, and FDS and FDS Bank shall promptly notify the Purchaser in writing, upon (i) becoming aware of any order or decree or any complaint seeking an order or decree restraining or enjoining the execution of any Ancillary Agreement or the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement, or (ii) receiving any notice from any Governmental Authority of its intention to (A) institute a suit or proceeding to restrain or enjoin the execution of any Ancillary Agreement or the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement, (B) nullify or render ineffective this Agreement or the Ancillary Agreements if such transactions are consummated, or (C) fail to issue or give any of the Requisite Regulatory Approvals.

(f) Any filing fees under the HSR Act or any other domestic or foreign antitrust merger control laws shall be borne by the Purchaser.

(g) The parties agree that if so requested by FDS not later than the earlier to occur of (i) fifteen (15) days prior to the First Closing Date and (ii) the date on which the Purchaser has received all Requisite Regulatory Approvals required to be obtained by it, the parties will negotiate in good faith with respect to such mutually acceptable changes to the terms of this Agreement and the Program Agreement as FDS may reasonably request in order to maintain the status of FDS Bank as a savings association in good standing with the Office of Thrift Supervision, including without limitation amending such agreements to provide that some or all of the Employee Accounts (as defined in the Program Agreement) shall be retained following the First Closing at FDS Bank; *provided, however*, that no such changes shall be made to the extent they would affect the ability of the Purchaser and the CEBA Bank to file a consolidated federal income Tax Return following the First Closing Date in accordance with Section 6.14(d).

(h) The parties agree that in the event that the OCC is not willing to approve the ownership of the CEBA Equity Interests by FDS Bank, the parties shall negotiate in good faith with respect to mutually acceptable changes to the terms of this Agreement and the Program Agreement to provide for such other corporate or ownership structure of the issuer of Credit Cards under the Program as the parties mutually agree; *provided* that failure of the OCC to approve (i) the ownership of the CEBA Equity Interests by FDS Bank or (ii) such alternative corporate or ownership structure shall not give rise to the payment of the Termination Fee pursuant to Section 10.4(b).

SECTION 6.5. *Additional Instruments.* At the reasonable request of FDS or FDS Bank, on the one hand, or the Purchaser, on the other hand, at or after the First Closing, the other Person shall promptly execute and deliver, or cause to be executed and delivered, to the requesting party such assignments, bills of sale, assumption agreements, consents and other similar instruments in addition to those required by this Agreement, in form and substance reasonably satisfactory to the requesting party, as may be reasonably necessary to carry out or implement any provision of this Agreement or any Ancillary Agreement or to make effective the First Purchase and Assumption, the Second Purchase and Assumption or the Third Purchase and Assumption, as the case may be.

SECTION 6.6. *Non-Solicitation.* The Purchaser shall continue to comply with the provisions of Section 6 of the FDS Confidentiality Agreement during the eighteen (18) month period following the First Closing Date. The Purchaser shall continue to comply with the provisions of Section 6 of the May Confidentiality Agreement during the eighteen (18) month period following the Third Closing Date. The parties agree that money damages would not be a sufficient remedy for any breach of this Section 6.6 and that, in addition to all other remedies, the Sellers and their Affiliates will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any breach of this Section 6.6 or the provisions of the Confidentiality Agreement. Purchaser waives any requirements for the securing or posting of any bond in connection with such remedy.

SECTION 6.7. *Credit Card Marks; Branding.* It is expressly agreed that, except for the license granted in the Program Agreement, the Purchaser is not purchasing or acquiring any right, title or interest in the FDS Licensed Marks or other trademarks or service marks of the Sellers or their Affiliates that the Sellers have used prior to the date of this Agreement (or shall use or own thereafter) in connection with the Accounts or the Business (collectively, the “Credit Card Marks”). The Purchaser acknowledges that the Sellers or their Affiliates own the Credit Card Marks and goodwill related thereto and symbolized thereby.

SECTION 6.8. *Notice to Cardholders.*

(a) First Purchase and Assumption.

(i) Promptly following the First Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank a form or forms of notice to each Cardholder who has an FDS Account owned by the Purchaser as of the First Closing Date to the effect that such Account has been acquired by the Purchaser, *provided* that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the First Closing, the Purchaser and its Affiliates shall not communicate with the FDS Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their FDS Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

(b) Second Purchase and Assumption.

(i) Promptly following the Second Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank a form or forms of notice to each Cardholder who has a GE/Macy’s Account to the effect that such Account has been acquired by the Purchaser; *provided* that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the Second Closing, the Purchaser and its Affiliates shall not communicate with the GE/Macy’s Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their GE/Macy’s Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

(c) Third Purchase and Assumption.

(i) Promptly following the Third Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank or May Bank, as the case may be, a form or forms of notice to each Cardholder who has a May Account to the effect that such Account has been acquired by the Purchaser; *provided* that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the Third Closing, the Purchaser and its Affiliates shall not communicate with the May Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their May Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

SECTION 6.9. *Cooperation in Obtaining Approval and Consents.* The Purchaser agrees to cause one or more of its Affiliates to assume or to join as joint and several indemnitors, and irrevocable and unconditional guarantors and sureties, of the obligations of the Purchaser to the extent reasonably requested by the applicable trustees or rating agencies and any other party whose consent, approval or action is reasonably required in connection with transfer of the Prime Securitization Assets and related Liabilities of the Sellers.

SECTION 6.10. *Post-Closing Access.* The Purchaser shall, upon reasonable notice and subject to applicable Requirements of Law relating to the exchange of information, afford to the Sellers, their Affiliates and their representatives reasonable access (including the right to copy), without charge, during normal business hours, to the Acquired Assets and Stock, the Books and Records relating thereto, any Person who maintains or controls any of the foregoing for the Purchaser or its Subsidiaries, all as may be reasonably requested by the Sellers or any of their Affiliates in order to enable the Sellers to (i) prepare the First Final Closing Statement, the Second Final Closing Statement, and the Third Final Closing Statement and participate in the resolution of any disputes relating thereto; (ii) permit the performance of any covenants required to be performed under this Agreement and the Ancillary Agreements after the First Closing Date, the Second Closing Date or the Third Closing Date by the Sellers; (iii) permit the preparation of any Tax Return or other document required to be filed with any Governmental Authority; and (iv) respond to any proceeding or to any claim made, or to any request for information, by any Governmental Authority or any other Person not a party hereto (other than an Affiliate of the Purchaser), including any Cardholder with respect to matters that may constitute Excluded Liabilities.

SECTION 6.11. *Cooperation in Litigation.* (a) Subject to Section 12.4, the Sellers and the Purchaser shall cooperate, to the extent reasonably requested by the other, in the handling and disposition of any claim, action, suit, arbitration, proceeding, investigation or regulatory inquiry ("Actions"), whether or not listed on the Schedules and whether or not pending or threatened prior to the First Closing, the Second Closing or the Third Closing, that arise out of or are related to any event or occurrence with respect to the Business prior to the First Closing (or, with respect to the GE/Macy's Assets or the GE/Macy's Liabilities, the Second Closing and with respect to the May Assets or May Liabilities, the Third Closing Date); provided, however, that the party ultimately responsible for discharging such Action shall have the authority to take such actions as it deems necessary or advisable, in its sole discretion, to discharge such Action, subject, however, to the provisions of this Agreement.

(b) The Sellers shall be entitled to keep copies of all litigation filings, correspondence, Books and Records and other documentation of any kind that the Sellers reasonably determine are necessary or desirable in connection with the handling and disposition of the Actions by the Sellers and their Affiliates.

SECTION 6.12. *Preservation of and Access to Books and Records.* The Purchaser shall preserve and keep all Books and Records of the Business and all information relating to the accounting, business, financial and Tax affairs of the Business that are in existence on the First Closing Date or that come into existence after the First Closing Date but relate to the Business prior to the First Closing Date (in the case of the FDS Assets and the FDS Liabilities) or the Second Closing Date (in the case of the GE/Macy's Assets and the GE/Macy's Liabilities) or the Third Closing Date (in the case of the May Assets and the May Liabilities) for a period of seven (7) years after the Third Closing Date, or for any longer period (i) as may be required by any federal, state, local or foreign governmental body or agency, (ii) as may be reasonably necessary with respect to the prosecution or defense of any audit or other Action that is then pending or threatened, or (iii) that is equivalent to the period established by any applicable statute of limitations (excluding any extension or waiver thereof) with respect to matters pertaining to Taxes. For a period of four (4) years following the seven (7) year period specified above, if the Purchaser wishes to destroy such records, the Purchaser shall first provide the Sellers the opportunity to take possession of the same (at the Sellers' cost and expense).

SECTION 6.13. *Bulk Sales Law.* The Purchaser hereby waives compliance by the Sellers, in connection with the transactions contemplated hereby, with the provisions of any applicable bulk sales law (including the Uniform Commercial Code Bulk Transfer provisions).

SECTION 6.14. *CEBA Bank.*

(a) As promptly as practicable after the date of this Agreement (but in any event prior to the First Closing), the Purchaser shall form CEBA Bank by (i) causing an organizing group to execute and file with the OCC all required organization documents; (ii) applying for deposit insurance; and (iii) filing any other required documents with such other applicable Governmental Authorities as the Purchaser shall determine to be necessary or appropriate.

(b) The Purchaser shall use its reasonable best efforts to, as promptly as practicable following the formation of CEBA Bank, cause CEBA Bank to be (i) licensed and qualified in all jurisdictions necessary to service the Accounts in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on CEBA Bank or the Business or on the ability of CEBA Bank to perform its duties as servicer, or on ability of CEBA Bank to perform its duties as sub-servicer, under the Prime Pooling and Servicing Agreement following the First Closing Date and (ii) licensed to participate in the programs of each of the Card Associations to the extent necessary to perform its obligations hereunder and thereunder following the First Closing.

(c) Pursuant to Section 2.4(d), at the First Closing, the Purchaser shall cause CEBA Bank to issue to FDS Bank (or its assignee) shares of CEBA Preferred Stock with the rights and preferences set forth in Annex E (the “*CEBA Equity Interests*”). Upon the issuance of the CEBA Equity Interests to FDS Bank (or its assignee), the CEBA Equity Interests will be duly authorized, validly issued, fully paid and nonassessable.

(d) The Purchaser and the CEBA Bank shall file a consolidated federal income Tax Return following the First Closing Date.

SECTION 6.15. *Third-Party Consents.*

(a) To the extent that any consent needed to assign to the Purchaser any Assigned Contract has not been obtained on or prior to the First Closing Date or the Second Closing Date, as applicable, this Agreement and any document delivered pursuant hereto shall not constitute an assignment or attempted assignment thereof if such assignment or attempted assignment would constitute a breach of such Assigned Contract or would give rise to a valid right of termination thereof. If any such third-party consent shall not be obtained on or prior to the First Closing Date or the Second Closing Date, as applicable, then the parties shall cooperate in entering into alternative arrangements at the First Closing Date or the Second Closing Date, as applicable, pursuant to which the Purchaser would obtain substantially all of the benefits and become responsible for substantially all of the obligations under such Assigned Contract.

(b) The Purchaser and the Sellers shall use commercially reasonable efforts (which for purposes of this Section 6.15 shall not require any payment of money by the Sellers or the Purchaser, except as agreed between them in writing) to seek any required consents to the assignment of the Assigned Contracts which have not been obtained as of the First Closing Date or the Second Closing Date, as applicable, and promptly upon receipt of such consents shall effect such assignments.

(c) The parties shall cooperate to (i) identify Contracts of May Co. and its Affiliates that should be assigned to the Purchaser in connection with the Third Assignment and Assumption and shall mutually agree on the Contracts that shall be so assigned and (ii) identify such third party consents the parties mutually agree are necessary in connection with the Third Assignment and Assumption. The Sellers shall update their Schedules relating to Sections 5.1(c) and 5.1(d) and Schedules 1.1(a) and 7.1 prior to the Third Closing to reflect the existence of any such Contracts or consents and Sections 6.15(a) and 6.15(b) shall apply to such Assigned Contracts *mutatis mutandis* with respect to the Third Closing Date.

SECTION 6.16. *May Portfolio.*

(a) FDS shall permit the Purchaser to conduct reasonable due diligence with respect to the May Assets and the May Liabilities at a time to be mutually agreed by the parties between sixty (60) days and one hundred twenty (120) days prior to the anticipated Third Closing Date. Except as set forth in Sections 6.16(b), the Purchaser's rights and obligations hereunder shall not be affected in any manner by such due diligence.

(b) In the event that:

(i) the requirement set forth in Schedule 6.16 with respect to this Section 6.16(b)(i) shall not have been satisfied, or

(ii) as a result of the due diligence specified in Schedule 6.16, the Purchaser determines that FDS will be unable to make one or more of the representations and warranties referred to in Section 9.2(b) and that such failure would constitute a failure of the closing condition set forth in Section 9.2(b) and provides written notice of such determination to FDS, or

(iii) following the closing of the May Merger, FDS provides written notice to the Purchaser that FDS will be unable to make one or more of the representations and warranties referred to in Section 9.2(b) and that such failure would constitute a failure of the closing condition set forth in Section 9.2(b),

then the following shall apply. In the event of a notice delivered by the Purchaser to FDS, the Purchaser may elect in such notice (A) to close the Third Purchase and Assumption and waive the obligation of FDS to make the representations and warranties with respect to the facts and circumstances giving rise to the inability of FDS to make such representations or warranties identified pursuant to clause (b)(ii) or (b)(iii) above or permit FDS to modify such representations and warranties such that FDS is able to make such representations and warranties, or (B) to initiate a renegotiation of the May Purchase Price (it being understood that the Purchaser shall not propose any adjustment to the financial or other terms and conditions of the Program Agreement other than as expressly contemplated in Sections 4.8 and 4.9 of the Program Agreement; *provided* that (i) the Purchaser will take into account the terms and conditions of the Program Agreement when proposing any adjustment to the May Purchase Price and (ii) nothing herein shall preclude the Purchaser from proposing to reduce the May Purchase Price to below the Gross Receivables value of the May Assets). In the event of a notice delivered by FDS to Purchaser, the Purchaser shall, within ten (10) Business Days following the receipt of such notice, make one of the specified elections set forth in the previous sentence by written notice to FDS. If Purchaser makes an election set forth in clause (A) above, the parties shall cooperate to close the Third Purchase and Assumption in accordance with such election; *provided* that the closing of the Third Purchase and Assumption shall not constitute a waiver by the Purchaser of any of its rights to be indemnified for Losses other than Losses arising out of or relating to the facts and circumstances giving rise to the inability of FDS to make the representations and warranties identified pursuant to clause (b)(ii) or (b)(iii) above. If Purchaser

makes an election set forth in clause (B) above, the parties shall negotiate in good faith to agree upon a revised May Purchase Price; *provided* that if the parties do not agree upon a revised May Purchase Price within thirty (30) days following the date of the receipt of the notice of election by Purchaser, then FDS may take either of the following actions in its sole discretion: (Y) accept the price last proposed by the Purchaser during the thirty (30) day period as the new May Purchase Price; or (Z) terminate this Agreement in its entirety pursuant to Section 10.3.

SECTION 6.17. *Interim Servicing.* Notwithstanding that following the First Closing FDS is no longer the Servicer, FDS hereby agrees that during the period from the First Closing and until December 15, 2005, it shall use its reasonable best efforts to prepare or cause to be prepared the reports specified in Schedule 6.17 and deliver or cause to be delivered such reports to Purchaser within time frames mutually agreed upon by the parties. FDS hereby agrees to provide Purchaser with all necessary and reasonable access to its facilities and personnel necessary for Purchaser to (i) verify the accuracy and completeness of the data contained in each such report and (ii) prepare the annual servicer's certificate and the annual independent accountants' report in accordance with the Prime Pooling and Servicing Agreement. In consideration for performing the services set forth in this Section 6.17 (the "Interim Services"), Purchaser shall pay by wire transfer of immediately available funds (in U.S. dollars) to FDS within ten (10) Business Days of the receipt of any invoice from FDS in respect of the Interim Services the actual costs and expenses (including allocated costs and expenses) incurred by FDS and its Affiliates in providing the Interim Services as set forth on such invoice. The amount of such payment shall not be a "Program Expense" under the Program Agreement. The Purchaser shall indemnify and hold harmless FDS and its Affiliates from any and all Losses arising from the performance of the Interim Services, except to the extent any of the foregoing acted with gross negligence or willful misconduct in performing such Interim Services.

SECTION 6.18. *Securitization Matters.* (a) At the First Closing Date, FDS shall cause Jones Day, counsel to FDS, to deliver to the Purchaser a reliance letter with respect to the most recent opinion of Jones Day with respect to the Prime Securitization Receivables (the "Jones Day Opinion"), together with a certificate from a duly authorized officer of FDS that the assumptions set forth or referred to in the Jones Day Opinion have been complied with in all material respects since the date of such opinion.

(b) In the event that FDS is unable to make any of the representations and warranties set forth in Section 5.1(s) at the First Closing or the Second Closing or the Third Closing, as applicable, FDS shall not be required to make such representations and warranties and FDS shall make such other representations and warranties with respect to the subject matter of Section 5.1(s) as shall be mutually agreed between the Purchaser and FDS.

ARTICLE VII
CONDITIONS TO EFFECT THE FIRST PURCHASE AND ASSUMPTION

SECTION 7.1. *Conditions to Each Party's Obligations.* The respective obligations of the Sellers and the Purchaser to effect the First Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the First Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the First Purchase and Assumption shall have been obtained and shall be in full force and effect, *except* to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or on the Sellers or the Purchaser.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the First Closing shall have been obtained and shall be in full force and effect, *except* to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements.

(d) Program Agreement. The Program Agreement shall have been duly executed and delivered by the parties thereto.

(e) Instrument of Assignment and Assumption. The First Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(f) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any state necessary to perfect the sale of the Gross Receivables purchased pursuant to the First Purchase and Assumption.

(g) Required Amendments and Confirmations. The Required Amendments and Confirmations shall have been obtained and shall have become effective in accordance with their terms.

(h) Prime II. The Sellers shall have given all notices and satisfied all conditions necessary to pay, and shall have paid in full, the investor certificates issued by Prime II Master Trust and shall have terminated the Prime II Master Trust.

(i) Card Associations. The Card Associations shall have confirmed that, upon the consummation of the First Purchase and Assumption, CEBA Bank shall be a Participating Member in the VISA Partnership Program in good standing with all necessary power and authority under the by-laws and membership and operating rules of the Card Associations to carry on the Business and issue Credit Cards as contemplated by the Program Agreement.

SECTION 7.2. *Conditions to Obligations of the Purchaser*. The obligations of the Purchaser to effect the First Purchase and Assumption are subject to the fulfillment or waiver by it in writing, at or prior to the First Closing Date, of the following additional conditions:

(a) Performance. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement to the extent required to be performed at or prior to the First Closing Date.

(b) Representations. The representations of FDS set forth in this Agreement shall be true and correct as of (1) the date of this Agreement and (2) the First Closing Date (except that representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or other materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(c) Certificate. The Purchaser shall have received a certificate signed on each Sellers' behalf by an executive officer of each Seller, dated the First Closing Date, to the effect that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.

(d) Securitization Opinions. The Purchaser shall have received copies of any Tax opinions or other opinions to the trustee expressly required by the Securitization Documents to be delivered on behalf of the Sellers in order to consummate the transactions contemplated hereby.

SECTION 7.3. *Conditions to Obligations of the Sellers*. The obligations of the Sellers to effect the First Purchase and Assumption are subject to the fulfillment or waiver by them in writing, at or prior to the First Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required to be performed at or prior to the First Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement shall be true and correct as of (i) the date of this Agreement and (ii) the First Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business following the First Closing Date or on the Purchaser.

(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the First Closing Date, to the effect that the conditions set forth in Sections 7.3(a) and 7.3(b) have been satisfied.

(d) Securitization Opinions. The Sellers shall have received copies of any Tax opinions or other opinions provided to the Purchaser, on behalf of the Sellers, as required by the Securitization Documents, rating agencies or trustee in connection with the acquisition of the Prime Stock and the assumption of the roles of transferor and servicer under the Prime Master Trust in order to consummate the transactions contemplated hereby.

(e) CEBA Equity Interests. The Purchaser shall have taken all of the required actions, corporate and otherwise, to cause CEBA Bank to issue to FDS Bank (or its assignee) the CEBA Equity Interests.

ARTICLE VIII CONDITIONS TO EFFECT THE SECOND PURCHASE AND ASSUMPTION

SECTION 8.1. *Conditions to Each Party's Obligations*. The respective obligations of the Sellers and the Purchaser to effect the Second Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Second Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the Second Purchase and Assumption shall have been obtained or made and shall be in full force and effect, *except* to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets following the Second Closing Date.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the Second Closing shall have been obtained and shall be in full force and effect, *except* to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets following the Second Closing Date.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements to occur on the Second Closing Date.

(d) Instrument of Assignment and Assumption. The Second Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(e) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any states necessary to perfect the sale of the Gross Receivables purchased pursuant to the Second Purchase and Assumption.

(f) Completion of First Closing. The First Purchase and Assumption shall have been completed either prior to or contemporaneously with the Second Purchase and Assumption.

(g) Termination of GE/Macy's Program Agreement. The GE/Macy's Program Agreement shall have terminated and the GE/Macy's Accounts and related assets and liabilities shall have been reconveyed to the Sellers or their designee (which may be the Purchaser) prior to or contemporaneously with the Second Closing.

SECTION 8.2. *Conditions to Obligations of the Purchaser*. The obligations of the Purchaser to effect the Second Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Second Closing Date, of the following additional conditions:

(a) Performance of Obligations. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement with respect to the GE/Macy's Assets and the GE/Macy's Liabilities to the extent required to be performed at or prior to the Second Closing Date.

(b) Representations. The representations of FDS set forth in this Agreement (other than the representations in Sections 5.1(e)(1), (l) (1), (m), (n) and (q), and any other representations of FDS to the extent relating to the FDS Assets and the FDS Liabilities) shall be true and correct as of (i) the date of this Agreement and (ii) the Second Closing Date (except that representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets or on the Sellers.

(c) Certificate. The Purchaser shall have received a certificate signed on each Seller's behalf by an executive officer of each Seller, dated the Second Closing Date, to the effect that the conditions set forth in Sections 8.2(a) and 8.2(b) have been satisfied.

SECTION 8.3. *Conditions to Obligations of FDS and FDS Bank*. The obligations of the Sellers to effect the Second Purchase and Assumption are subject to the fulfillment or waiver in writing, at or prior to the Second Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required at or prior to the Second Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement (other than the representations in Sections 5.2(e), (k) and (l)) shall be true and correct as of the date of this Agreement and the Second Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets or on the Purchaser.

(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the Second Closing Date, to the effect that the conditions set forth in Sections 8.3(a) and 8.3(b) have been satisfied.

ARTICLE IX

CONDITIONS TO EFFECT THE THIRD PURCHASE AND ASSUMPTION

SECTION 9.1. *Conditions to Each Party's Obligations*. The respective obligations of the Sellers and the Purchaser to effect the Third Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Third Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the Third Purchase and Assumption shall have been obtained or made and shall be in full force and effect, *except* to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets following the Third Closing Date.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the Third Closing shall have been obtained and shall be in full force and effect, *except* to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets following the Third Closing Date.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements to occur on the Third Closing Date.

(d) Instrument of Assignment and Assumption. The Third Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(e) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any states necessary to perfect the sale of the Gross Receivables purchased pursuant to the Third Purchase and Assumption.

(f) Completion of First and Second Closing. The First and Second Purchase and Assumption shall have been completed either prior to or contemporaneously with the Third Purchase and Assumption.

(g) Closing of the May Merger. The May Merger shall have been consummated.

SECTION 9.2. *Conditions to Obligations of the Purchaser*. The obligations of the Purchaser to effect the Third Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Third Closing Date, of the following additional conditions:

(a) Performance of Obligations. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement with respect to the May Assets and the May Liabilities to the extent required to be performed at or prior to the Third Closing Date.

(b) Representations. Subject to Sections 6.16(b) and (c), FDS shall make the representations set forth in Section 5.1, as of the Third Closing Date, *mutatis mutandis* as if the May Assets were the FDS Assets or the GE/Macy's Assets, as applicable, and the May Liabilities were the FDS Liabilities or the GE/Macy's Liabilities, as applicable (to the extent the categories of FDS Assets, FDS Liabilities, GE/Macy's Assets and GE/Macy's Liabilities, on the one hand, and the May Assets and the May Liabilities, on the other hand, are of similar nature); *provided* that the representation contained in Section 5.1(e)(2) shall be made with respect to the financial information set forth in Schedule 9.2(b); *provided, further*, that FDS shall not make the representations in Sections 5.1(e)(1), (l)(1), (m), (n) and (q) or any representations with respect to the Prime Stock, the FDS Assets, the FDS Liabilities, the GE/Macy's Assets or the GE/Macy's Liabilities; and *provided, further*, that solely for the purposes of the representations and warranties made pursuant to this Section 9.2(b) and all rights arising therefrom, including any rights to indemnification, the term "Business" shall include the May Business.

(c) Certificate. The Purchaser shall have received a certificate signed on each Seller's behalf by an executive officer of each Seller, dated the Third Closing Date, to the effect that the conditions set forth in Section 9.2(a) have been satisfied and making the representations specified in Section 9.2(b).

SECTION 9.3. *Conditions to Obligations of FDS and FDS Bank*. The obligations of the Sellers to effect the Third Purchase and Assumption are subject to the fulfillment or waiver in writing, at or prior to the Third Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required at or prior to the Third Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement (other than the representations in Sections 5.2(e), (k) and (l)) shall be true and correct as of the date of this Agreement and the Third Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets or on the Purchaser.

(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the Third Closing Date, to the effect that the conditions set forth in Sections 9.3(a) and 9.3(b) have been satisfied.

ARTICLE X TERMINATION

SECTION 10.1. *Termination Prior to the First Closing*. This Agreement may be terminated at any time before the First Closing Date:

(a) by the mutual written consent of the parties hereto;

(b) by either the Purchaser or FDS, if any Requisite Regulatory Approval or any other approval of a Governmental Authority, the lack of which would result in the failure to satisfy the condition set forth in Section 7.1(a), has been denied by the applicable Governmental Authority and such denial has become final and nonappealable;

(c) by either the Purchaser or FDS, if prior to the First Closing, (i) any permanent injunction or action by any Governmental Authority of competent jurisdiction prohibiting consummation of the transactions contemplated by this Agreement or the Ancillary Agreements becomes final and nonappealable; (ii) any law or regulation makes consummation of the transactions contemplated by this Agreement or the Ancillary Agreements illegal or otherwise prohibited; or (iii) consummation of the transactions contemplated by this Agreement or the Ancillary Agreements would violate any nonappealable final order, decree or judgment of any Governmental Authority having competent jurisdiction;

(d) by either the Purchaser or FDS if the First Purchase and Assumption is not consummated by March 1, 2006; *provided, however*, that neither the Purchaser nor FDS may terminate this Agreement pursuant to this Section 10.1(d) if such party's breach of any representation, warranty or covenant contained herein has been the cause of or resulted in the failure to consummate such transactions by such date; or

(e) by either the Purchaser or FDS, in the event of a breach or default in the performance by the other party of any representation, warranty, covenant or agreement of such other party, which breach or default (i) would, individually or in the aggregate with all other uncured breaches and defaults of such other party, constitute grounds for the conditions set forth in Section 7.2(a) or (b) or Section 7.3(a) or (b), as the case may be, not to be satisfied at the First Closing Date, and (ii) has not been, or cannot be, cured within thirty (30) days after written notice, describing such breach or default in reasonable detail, is given by the terminating party to the breaching or defaulting party.

SECTION 10.2. *Termination Prior to the Second Closing.* This Agreement may be terminated following the First Closing Date and prior to the Second Closing Date by either the Purchaser or FDS if the Second Purchase and Assumption is not consummated by December 31, 2006; provided, however, that neither the Purchaser nor FDS may terminate this Agreement pursuant to this Section 10.2 if such party's breach of any representation, warranty or covenant contained herein has been the cause of or resulted in the failure to consummate such transactions by such date.

SECTION 10.3. *Termination Prior to the Third Closing.* This Agreement may be terminated pursuant to Section 6.16(b) following the First Closing Date and prior to the Third Closing Date.

SECTION 10.4. *Effect of Termination.*

(a) If this Agreement is terminated, it shall become void and of no further effect and no party hereto (or any of its Affiliates, directors, officers, representatives or agents) shall have any liability or further obligation to any other party to this Agreement, except (i) for payment of the Termination Fee if applicable in accordance with Section 10.4(b), (ii) the representations set forth in Sections 5.1(p) and 5.2(j) and the obligations set forth in Sections 6.3(b)-(d), this Section 10.4 and Article XIII (other than Section 13.10 thereof) shall continue to apply following any such termination and (iii) termination of this Agreement shall not relieve any party of any liability arising out of or resulting from any knowing, willful or intentional breach of this Agreement by such party prior to such termination. Notwithstanding the foregoing, if this Agreement is terminated after the First Closing Date or the Second Closing Date, then this Agreement shall remain in effect but solely as to the matters relating to any Acquired Assets and Stock sold to the Purchaser prior to such termination.

(b) If this Agreement is terminated pursuant to Section 10.1(b) as a result of the Purchaser's failure to obtain the approval of the Office of the Comptroller of the Currency (the "OCC") required to be obtained by it or approval of the Board of Governors of the Federal Reserve System where such approval is necessary pursuant to any Requirement of Law or because the OCC or the Board of Governors of the Federal Reserve System shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements, then the Purchaser shall promptly, but in no event later than date of such termination, pay FDS an amount equal to the Termination Fee by wire transfer of immediately available funds. The parties acknowledge that the agreement contained in this Section 10.4(b) is an integral part of the transactions contemplated by this Agreement, and that, without this agreement, FDS and FDS Bank would not enter into this Agreement; accordingly, if the Purchaser fails to pay promptly any amount due pursuant to this Section 10.4(b), and, in order to obtain such payment, FDS or FDS Bank commences a suit which results in a judgment against the Purchaser for the Termination Fee, the Purchaser shall pay to FDS its reasonable costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the Federal Funds Rate in effect on the date such payment was required to

be made notwithstanding the provisions of Section 10.4(b). The parties agree that any remedy or amount payable pursuant to this Section 10.4(b) shall constitute FDS's sole and exclusive remedy for the Purchaser's failure to obtain the approvals referred to above from the OCC or the Board of Governors of the Federal Reserve System.

ARTICLE XI TAX MATTERS

SECTION 11.1. *Cooperation.* The parties hereto shall furnish or cause to be furnished (and shall cause Prime to furnish) to each other, promptly upon reasonable request, any information and assistance relating to the Acquired Assets and Stock, the Business and Prime as the requesting party deems reasonably necessary in connection with the filing of any Tax Returns, the preparation for any audit by any Governmental Authority, the response to any inquiry by a Governmental Authority, the mailing or filing of any notice and the prosecution or defense of any claim, suit or proceeding relating to any Tax Returns or any other filing required to be made with any Governmental Authority or any other matter related to Taxes.

SECTION 11.2. *Tax Returns.* All Tax Returns filed by the Sellers or Prime for periods ending on or before the First Closing Date (or the Second Closing Date in the case of the GE/Macy's Assets and the Third Closing Date in the case of the May Assets) shall remain the property of the Sellers. The Purchaser shall be given access to Tax Returns as deemed reasonably necessary in the sole discretion of the Sellers.

SECTION 11.3. *Conveyance Taxes.* All excise, sales, use, transfer, documentary, stamp or similar Taxes that are payable or that arise as a result of the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements and any recording or filing fees with respect thereto shall be borne by the Purchaser. Such Taxes shall not be considered Excluded Liabilities.

SECTION 11.4. *Refunds.* The Purchaser shall, if the Sellers so request and at the Sellers' expense (for reasonable out-of-pocket costs and expenses), cooperate with the Sellers to file for and obtain any Tax refund or credit related to the Business or the Acquired Assets and Stock or Prime that relates to any period ending on or before the First Closing Date (in the case of Prime, the FDS Assets or the Business (other than the GE/Macy's Assets and the May Assets)), the Second Closing Date (in the case of the GE/Macy's Assets) or the Third Closing Date (in the case of the May Assets). If the Purchaser at any time receives a Tax refund or credit described in the immediately preceding sentence, the Purchaser shall promptly pay over such refund or the amount of such credit to the Sellers; provided, however, that, if a Governmental Authority at any time requires the Purchaser to reimburse such Governmental Authority for the amount of any refund or credit previously paid to the Sellers, the Sellers jointly and severally shall indemnify, hold harmless and reimburse the Purchaser and its Affiliates for the amount of such refund or credit, including all interest, penalties, costs and expenses associated therewith. Any Tax refunds or credits relating to Prime, the FDS Assets, the GE/Macy's Assets, the May Assets or the Business with respect to a Straddle Period shall be equitably apportioned between the Purchaser, on the one hand, and the Sellers, on the other hand. Notwithstanding the foregoing, the Purchaser shall be entitled to all refunds with respect to any Taxes paid pursuant to Section 11.3.

SECTION 11.5. *Tax Filing Obligations.* FDS shall include Prime's taxable income and the income of the Master Trusts through the close of business on the First Closing Date in FDS's consolidated federal income Tax Returns and in any combined, consolidated or unitary Tax Returns that include Prime, and shall pay or cause Prime to pay any Taxes due with respect thereto. FDS shall prepare and timely file (or cause to be prepared and timely filed) all Tax Returns with respect to (i) Prime, the FDS Assets and the Business (other than the GE/Macy's Assets and the May Assets) for all periods ending on or before the First Closing Date, (ii) the GE/Macy's Assets for all periods ending on or before the Second Closing Date and (iii) the May Assets for all periods ending on or before the Third Closing Date. With respect to state and local Tax Returns required to be filed after the First Closing Date (in the case of Prime, the FDS Assets or the Business (other than the GE/Macy's Assets and the May Assets)), the Second Closing Date (in the case of the GE/Macy's Assets) or the Third Closing Date (in the case of the May Assets), FDS shall, when permitted by applicable Requirements of Law, elect to file a short-period Tax Return for the portion of such period which ends on the First Closing Date, the Second Closing Date or the Third Closing Date as applicable. FDS shall prepare and timely file (or cause to be prepared and timely filed) all such short-period Tax Returns.

SECTION 11.6. *Purchase Price Allocations; Section 338(h)(10) Election.*

(a) FDS and the Purchaser shall join in timely making an election under Section 338(h)(10) of the Code and any comparable provision of state, local or foreign Tax law with respect to the sale of the Prime Stock (collectively, the "*Section 338(h)(10) Election*"). FDS and the Purchaser shall cooperate in the completion and timely filing of the Section 338(h)(10) Election in accordance with the provisions of Treasury Regulation Section 1.338(h)(10)-1 and any comparable provisions of state, local or foreign Tax law. In furtherance of the foregoing, (i) prior to the First Closing Date, FDS and the Purchaser shall agree, based on information then available, on the form and content of Internal Revenue Service ("*IRS*") Form 8023 ("*Form 8023*"), and (ii) on or prior to the First Closing Date, FDS and the Purchaser shall execute two originals of such Form 8023, containing information then available. Such Form 8023 shall be filed in accordance with applicable Requirements of Law.

(b) Following the First Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of (i) the FDS Purchase Price between the FDS Assets (the "*FDS Allocation Amount*") and the Prime Stock (the "*Prime Stock Amount*"), and (ii) the FDS Allocation Amount, the FDS Liabilities, to the extent required, and any other relevant amount among the FDS Assets (together, the "*First Closing Allocation*"). The First Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the "*Minimum FDS Allocation*") to items (1), (4), (5), (6) and (7) of the definition of "FDS Assets" (such assets, collectively, the "*FDS Account Assets*"):

$$.06 \times [(FDS \text{ Purchase Price} + FDS \text{ Liabilities}) - \$50,000,000] + \$50,000,000.$$

If the parties cannot agree on the First Closing Allocation within ninety (90) days after the First Closing Date, the First Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); *provided*, that the Accountant shall not allocate less than the Minimum FDS Allocation to the FDS Account Assets. Notwithstanding anything to the contrary contained herein, the Purchaser and the Sellers shall use the First Closing Allocation, as finally determined pursuant to this Section 11.6(b), for all Tax purposes, including the filing of IRS Forms 8594 and 8883 and all other Tax Returns. If the FDS Purchase Price or the FDS Liabilities are adjusted, the parties shall revise the First Closing Allocation on a basis consistent with this Section 11.6(b) in order to reflect such adjustment.

(c) Following the determination of the Prime Stock Amount pursuant to Section 11.6(b) above, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the Prime Stock Amount, any other relevant items appropriately treated as purchase price attributable to the Prime Stock and the Liabilities of Prime among the assets of Prime in compliance with the requirements of Sections 338 and 1060 of the Code (the “*Prime Allocation*”). If the parties cannot agree on the Prime Allocation within forty-five (45) days after the determination of the Prime Stock Amount, each of the Sellers, on the one hand, and the Purchaser, on the other hand, shall use its own allocation for all Tax purposes, including the filing of IRS Form 8883 and all other Tax Returns. If the Prime Stock Amount or a Liability of Prime is adjusted, the parties shall revise the Prime Allocation, if any, on a basis consistent with this Section 11.6(c) in order to reflect such adjustment.

(d) Following the Second Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the GE/Macy’s Purchase Price, the GE/Macy’s Liabilities, to the extent required, and any other relevant amount among the GE/Macy’s Assets (the “*Second Closing Allocation*”). The Second Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less the following amount (the “*Minimum GE/Macy’s Allocation*”) to items (1), (4), (5), (6) and (7) of the definition of “GE/Macy’s Assets” (such assets, collectively, the “*GE/Macy’s Account Assets*”):

$$.06 \times [(GE/Macy's Purchase Price + GE/Macy's Liabilities) - \$20,000,000] + \$20,000,000.$$

If the parties cannot agree on the Second Closing Allocation within ninety (90) days after the Second Closing Date, the Second Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); *provided*, that the Accountant shall not allocate less than the Minimum GE/Macy’s Allocation to the GE/Macy’s Account Assets. Notwithstanding anything to the contrary contained herein, the Purchasers and the Sellers shall use the Second Closing Allocation, as finally determined pursuant to this Section 11.6(d), for all Tax purposes, including the filing of IRS Form 8594 and all other Tax Returns. If the GE/Macy’s Purchase Price or the GE/Macy’s Liabilities are adjusted, the parties shall revise the Second Closing Allocation on a basis consistent with this Section 11.6(d) in order to reflect such adjustment.

(e) Following the Third Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the May Purchase Price, the May Liabilities, to the extent required, and any other relevant amount among the May Assets (the “*Third Closing Allocation*”). The Third Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the “*Minimum May Allocation*”) to items (1), (4), (5), (6) and (7) of the definition of “May Assets” (such assets, collectively, the “*May Account Assets*”):

$$.06 \times [(\text{May Purchase Price} + \text{May Liabilities}) - \$30,000,000] + \$30,000,000.$$

If the parties cannot agree on the Third Closing Allocation within ninety (90) days after the Third Closing Date, the Third Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); *provided*, that the Accountant shall not allocate less than the Minimum May Allocation to the May Account Assets. Notwithstanding anything to the contrary contained herein, the Purchaser and the Sellers shall use the Third Closing Allocation, as finally determined pursuant to this Section 11.6(e), for all Tax purposes, including the filing of IRS Form 8594 and all other Tax Returns. If the May Purchase Price or the May Liabilities are adjusted, the parties shall revise the Third Closing Allocation on a basis consistent with this Section 11.6(e) in order to reflect such adjustment.

(f) The Purchaser, on the one hand, and the Sellers, on the other hand, shall promptly inform one another of any challenge by any Governmental Authority to any allocation made pursuant to this Section 11.6 and shall consult and keep one another reasonably informed with respect to the status of any discussion, proposal or submission regarding such challenge. Notwithstanding the foregoing, in the event the IRS (or any other Governmental Authority) challenges any allocation made pursuant to this Section 11.6, the applicable party may settle or litigate such challenge without the consent of the other parties.

SECTION 11.7. *Straddle Periods*. In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Tax that is allocable to the portion of the period ending on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable, shall be:

(a) in the case of income Taxes, sales Taxes, employment Taxes and other Taxes that are readily apportionable based on an actual or deemed closing of the books deemed to equal the amount which would be payable if the taxable period ended on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable; and

(b) in the case of all other Taxes, deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable, and the denominator of which is the number of calendar days in the entire Straddle Period.

SECTION 11.8. *Tax Contests*. (a) The Sellers shall control the conduct of any audit or other administrative or judicial proceeding with respect to Taxes relating to Prime, the FDS Assets, the GE/Macy’s Assets, the May Assets or the Business (a “Tax Contest”) solely to the extent of any issues for which the Sellers have an indemnification obligation under this Agreement (other than with respect to a Straddle Period or a Tax Contest involving a consolidated, combined, affiliated or unitary Tax Return which includes

the Purchaser or any Affiliate thereof (including Prime), which Tax Contest shall be conducted as provided in clauses (b)-(c) below), and the Purchaser shall control the conduct of all other Tax Contests with respect to any Tax Liability relating to Prime, the FDS Assets, the GE/Macy's Assets, the May Assets or the Business; (b) in the case of any Tax Contest with respect to a Straddle Period, the controlling party shall be whichever of the Purchaser, on the one hand, or the Sellers, on the other hand, would bear the greater Tax Liability with respect to such Tax Contest if the Governmental Authority was successful in such proceeding; provided, however, that neither party shall settle such Tax Contest without the prior written consent of the other party, which consent shall not be unreasonably withheld and (c) neither any Seller nor any Affiliate thereof shall be entitled to (i) review any consolidated, combined, affiliated or unitary Tax Return which includes the Purchaser or any Affiliate thereof (including Prime), or (ii) participate in any Tax Contest with respect to any consolidated, combined, affiliated or unitary Tax Return which includes the Purchaser or any Affiliate thereof (including Prime).

SECTION 11.9. *Payments.* Payment by an indemnifying party of any amount with respect to Taxes under this Agreement shall be made within fifteen (15) days following written notice by the indemnified party that payment of such amounts to the appropriate Governmental Authority is due. In the case of a Tax that is contested in accordance with the provisions of this Article XI, payment of the Tax to the appropriate Governmental Authority shall be considered to be due no earlier than the date a final determination to such effect is made by the appropriate Governmental Authority.

SECTION 11.10. *Survival of Tax Indemnities.* The obligations of the parties with respect to indemnification for Taxes under this Agreement, and the representations and warranties set forth in Section 5.1(o), shall remain in full force and effect until sixty (60) days after the expiration of all applicable statutes of limitations (including extensions) for the assessment or collection of Taxes for which indemnification may be claimed under this Agreement.

SECTION 11.11. *FIRPTA Certificates.* On or prior to each of the First Closing Date, the Second Closing Date and the Third Closing Date, the Purchaser shall have received from each of the Sellers a certificate in compliance with Treasury Regulation Section 1.1445-2(b), certifying that such Seller is not a "foreign person" under Section 1445 of the Code.

SECTION 11.12. *Tax Sharing Agreements.* Notwithstanding anything to the contrary contained herein, all Liabilities and obligations between the Sellers and any of their Affiliates (other than Prime), on the one hand, and Prime, on the other hand, under any Tax allocation, Tax sharing, Tax reimbursement or other similar agreement or arrangement in effect prior to the First Closing Date shall cease and terminate as of the First Closing Date and shall no longer be enforceable.

ARTICLE XII
SURVIVAL; INDEMNIFICATION

SECTION 12.1 *Survival.*

(a) The representations or warranties of the parties in this Agreement shall survive the First Closing until the eighteen (18) month anniversary of the First Closing Date; *provided* that (i) the representations and warranties made pursuant to Sections 5.1(a), (b), (g), (l)(1), (l)(2) and (p) and Sections 5.2(a), (b) and (j) shall survive indefinitely and (ii) the representations and warranties in Section 5.1(o) shall survive as provided in Article XI. In addition, the representations or warranties of FDS in Sections 5.1(c), (d), (e)(2), (f), (h), (j), (k), (l)(3)-(10), (r) and (s) in each case with respect to the GE/Macy's Assets and GE/Macy's Liabilities, and the representations of the Purchaser in Section 5.2, except pursuant to Section 5.2(e), shall survive the Second Closing until the eighteen (18) month anniversary of the Second Closing Date.

(b) The representations or warranties of FDS made pursuant to Section 9.2(b) and the representations of the Purchaser made pursuant to Section 5.2 (except in respect of the representation set forth in Section 5.2(e)) shall survive the Third Closing until the eighteen (18) month anniversary of the Third Closing Date; *provided* that (i) the representations and warranties made on the same basis as Sections 5.1(a), (b), (g), (l)(2) and (p) and the representations and warranties made pursuant to Sections 5.2(a), (b) and (j) shall survive indefinitely and (ii) the representations and warranties made on the same basis as Section 5.1(o) shall survive as provided in Article XI.

(c) No claim for indemnification pursuant to this Article XII for breach of any representation or warranty may be brought after the date on which such representation or warranty no longer survives; *provided*, that if a written notice of a claim for indemnification is given to the indemnifying party in accordance with Section 12.4(a) prior to the termination of the applicable survival period, the indemnifying party's obligation hereunder with respect to such indemnification claim shall survive until such claim has been finally resolved.

SECTION 12.2. *Indemnification by the Sellers.* Subject to the provisions of this Article XII, after the First Closing Date, FDS shall indemnify the Purchaser and its Affiliates against, and agree to hold each of them harmless from, any and all damage, loss, liability, cost, claim, interest, award, judgment, penalty or expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) ("Losses") incurred or suffered by the Purchaser or any of its Affiliates because of (1) any breach of a representation or warranty of the Sellers contained in Section 5.1 or made pursuant to Section 9.2(b) (and, with respect to representations and warranties made pursuant to Section 9.2(b), the references to Section 5.1 throughout this Section 12.2 shall be deemed to refer to the corresponding representations and warranties made pursuant to Section 9.2(b)) determined without regard to any Knowledge, Material Adverse Effect or materiality qualifier therein (except in the case of the representations set forth in Sections 5.1(e)(1) and (f)), (2) any breach of an agreement or covenant made by the Sellers in this Agreement, (3) any Excluded Liability, (4) any Excluded Asset, (5) any Prime Excluded Taxes, (6) the failure by the Sellers to comply with any applicable bulk sales laws (notwithstanding the waiver contained in Section 6.13) or (7) any Action brought by a Cardholder against (x) any Seller with respect to one or more FDS Accounts that is pending as of the First Closing Date, (y) any Seller or GE Bank with respect to one or more GE/Macy's Accounts that is pending as of the Second Closing Date, and (z) any Seller, May Co. or May Bank with respect to one or more May Accounts that is pending as of the Third Closing Date. Notwithstanding the foregoing, the Purchaser and its Affiliates shall not be entitled to indemnification pursuant to clause (1) of this Section 12.2 (other

than for breaches of Sections 5.1(a), (b), (g), (l)(1) and (l)(2), which shall not be subject to the following limitations): (a) in respect of any individual set of claims, facts or occurrences or any series of related claims, facts or occurrences (each a “De Minimis Claim”), if the aggregate Losses in respect of such De Minimis Claim is less than twenty-five thousand dollars (\$25,000); provided, however, in the event that the aggregate Losses in respect of all such De Minimis Claims exceed five million dollars (\$5,000,000), thereafter indemnification claims pursuant to clause (1) of this Section 12.2 shall be subject to indemnification without regard to the limitations set forth in this clause (a); (b) for any Losses until the aggregate amount of all Losses incurred or suffered by the Purchaser or any of its Affiliates (excluding Losses related to De Minimis Claims) exceeds twenty-five million dollars (\$25,000,000), in which case the Purchaser and its Affiliates shall be entitled to indemnification for the full amount of Losses in excess of such threshold; and (c) for Losses, in the aggregate, incurred or suffered by the Purchaser or any of its Affiliates in excess of four-hundred million dollars (\$400,000,000).

SECTION 12.3. *Indemnification by the Purchaser.* The Purchaser agrees to indemnify each Seller and each of their respective Affiliates against, and agree to hold each of them harmless from, any and all Losses incurred or suffered by a Seller or any such Affiliate because of (1) any breach of a representation or warranty of the Purchaser contained in Section 5.2 determined without regard to any Knowledge, Material Adverse Effect or materiality qualifier therein (except in the case of the representation set forth in Sections 5.2(e)), (2) any breach of an agreement or covenant made by the Purchaser in this Agreement, (3) any Assumed Liability, (4) any Liability for Taxes of Prime other than Prime Excluded Taxes or Taxes that constitute Excluded Liabilities or (5) the operation of the Business from and after the First Closing (and with respect to the GE/Macy’s Assets and the GE/Macy’s Liabilities from and after the Second Closing and with respect to the May Assets and the May Liabilities from and after the Third Closing). Notwithstanding the foregoing, the Sellers and their Affiliates shall not be entitled to indemnity pursuant to clause (1) of this Section 12.3 (other than for breaches of Sections 5.2(a) and (b), which shall not be subject to the following limitations): (a) in respect of any De Minimis Claims; provided, however, in the event that the aggregate Losses in respect of all such De Minimis Claims exceed \$5,000,000, thereafter indemnification claims pursuant to clause (1) of this Section 12.3 shall be subject to indemnification without regard to the limitations set forth in this clause (a); (b) for any Losses until the aggregate amount of all Losses incurred or suffered by the Sellers or any of their Affiliates (excluding Losses related to De Minimis Claims) exceeds twenty-five million dollars (\$25,000,000), in which case the Sellers and their Affiliates shall be entitled to indemnification for the full amount of Losses in excess of such threshold; and (c) for Losses, in the aggregate, incurred or suffered by the Sellers or their Affiliates in excess of four-hundred million dollars (\$400,000,000).

SECTION 12.4. *Notice, Settlements and Other Matters.*

(a) A party seeking indemnification pursuant to Section 12.2 or Section 11.4 (an “*Indemnified Party*”) must give prompt written notice to the party from whom such indemnification is sought (the “*Indemnifying Party*”) of the assertion of any claim, or the commencement of any action or proceeding, in respect of which indemnity may be sought hereunder specifying in reasonable detail the individual items of the Losses in respect of which indemnification is sought including the amount, the date each such item was paid, incurred or properly accrued, and the specific details of the breach of representation, warranty or covenant or other claim or

matter to which such item is related. In the event that any third party claim is made against the Indemnified Party and the Indemnified Party notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party may elect at any time to negotiate a settlement or a compromise of such action or claim or to defend such action or claim, in each case at its sole cost and expense (subject to the limitations set forth in Section 12.2, if the Sellers are the Indemnifying Party, or Section 12.3, if the Purchaser is the Indemnifying Party) and with its own counsel. If, within thirty (30) days of receipt from an Indemnified Party of the notice referred to above, the Indemnifying Party (i) advises the Indemnified Party in writing that it shall not elect to defend, settle or otherwise compromise or pay such action or claim or (ii) fails to make such an election in writing, the Indemnified Party may (subject to the Indemnifying Party's continuing right of election in the preceding sentence), at its option, defend, settle, compromise or pay such action or claim; *provided* that any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. Unless and until the Indemnifying Party makes an election in accordance with this Section to defend, settle, compromise or pay such action or claim, all of the Indemnified Party's reasonable costs arising out of the defense, settlement, compromise or payment thereof shall be Losses subject to indemnification by the Indemnifying Party (subject to the provisions and limitations of Sections 12.2 and 12.3, as applicable). Each Indemnified Party shall make available to the Indemnifying Party all information reasonably available to such Indemnified Party relating to such action or claim. If the Indemnifying Party elects to defend any such action or claim, the Indemnified Party may participate in such defense with counsel of its choice at the Indemnified Party's sole cost and expense.

(b) The Indemnified Party shall have the right to reject any settlement proposed by the Indemnifying Party if the Indemnified Party is not fully and unconditionally released from any liability resulting from that claim or is required to pay any costs, expenses or damages to any person as a result of the claim that are not covered by the indemnity provided herein. The Indemnified Party shall not have the right to settle any third party claim without the written consent of the Indemnifying Party if the Indemnifying Party is contesting such claim in good faith and has assumed the defense of such claim from the Indemnified Party or if the period for determining whether or not to assume the defense of such claim from the Indemnified Party has not expired.

(c) In calculating the amount of any Losses of an Indemnified Party under this Article XII, there shall be subtracted the amount of any (1) Tax benefits actually realized by the Indemnified Party with respect to such Losses, (2) insurance proceeds and third-party payments actually received by the Indemnified Party with respect to such Losses and (3) any merchant charge-backs or other set-offs that would be permissible under the operating rules and regulations of the applicable Card Association in effect at that time (whether or not such charge-back or other set-off was actually made), and there shall be added the amount of any related Tax costs or other expenses. In the event that the Indemnifying Party reimburses the Indemnified Party for any Losses prior to the realization or receipt of any proceeds, benefits, payments, charge-backs or set-offs contemplated by clauses (1), (2) or (3) above, the Indemnified Party shall remit to the Indemnifying Party any such amounts that the Indemnified Party subsequently receives or realizes with respect to such Losses (net of any related Tax costs or other expenses to the extent such amounts were not previously taken into account). Upon the payment of any claim hereunder, the Indemnifying Party shall be subrogated to the extent of such payment to the rights of the Indemnified Party against any person with respect to the subject matter of such claim.

(d) Without limitation of their respective rights and obligations as set forth elsewhere in this Article XII, and subject to the procedures for indemnification claims set forth in this Article XII, the Indemnified Party shall act in good faith, shall use commercially reasonable efforts to mitigate any Losses (including by seeking to fully realize or receive any proceeds, benefits, payments, charge-backs or set-offs contemplated by clauses (1), (2) and (3) of Section 12.4(c)), shall use similar discretion in the use of personnel and the incurring of expenses as the Indemnified Party would use if it were engaged and acting entirely at its own cost and for its own account, and shall consult regularly with the Indemnifying Party with respect to all its matters of interest to the Indemnifying Party under this Article XII.

(e) All indemnity payments shall be treated as additional adjustments to the amount of the total consideration paid for the Acquired Assets and Stock and the Business for all Tax purposes.

(f) Notwithstanding anything to the contrary contained herein, the indemnification provided for herein shall not cover, and in no event shall any party hereto be liable for, any indirect damages, including consequential, incidental, exemplary or special damages, or punitive damages (except to the extent necessary to reimburse an Indemnified Party for judgments actually awarded to third parties in respect of such types of damages).

(g) After the First Closing Date, Article XI and this Article XII shall constitute the Sellers' and the Purchaser's exclusive remedy for any of the matters addressed herein or other claim arising out of or relating to this Agreement; *provided, however*, that this provision shall not impair the ability of either party to obtain specific performance or other equitable relief. Notwithstanding the foregoing, the indemnification obligations and other obligations set forth in Article XI of this Agreement, and any claims arising out of the matters addressed in Article XI of this Agreement, shall, to the extent addressed therein, be governed solely by such Article XI and not by this Article XII.

ARTICLE XIII MISCELLANEOUS

SECTION 13.1. *Notices.* All notices and other communications by the Purchaser or the Sellers hereunder shall be in writing to the other party and shall be deemed to have been duly given when delivered in person, when received via facsimile or overnight courier, or when posted by United States registered or certified mail, with postage prepaid, addressed as follows:

if to the Purchaser to:

Citibank, N.A.
701 E. 60th North
Sioux Falls, South Dakota 57104
Attention: David Zimbeck
Facsimile: (605) 330-6745

with a copy to:

Citigroup Inc.
399 Park Avenue
New York, New York 10043
Attention: Andrew Felner
Facsimile: (212) 793-6072

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022-6069
Attention: Creighton O'M Condon
Facsimile: (212) 848-7179

if to the Sellers to:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Vice Chair – Finance
Facsimile: (513) 579-7462

with a copy to:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Facsimile: (513)-579-7354

and

FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Facsimile: (513) 573-2720

and

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Lee Meyerson, Esq.
Maripat Alpuche, Esq.
Facsimile: (212) 455-2502

Notices and other communications may also be sent to such other address or addresses as the Purchaser or the Sellers may from time to time designate by notice as provided herein, except that notices of change of address shall be effective only upon receipt.

SECTION 13.2. *Expenses and Certain Post-Closing Matters.*

(a) Except as otherwise provided herein, all legal and any other third-party costs and expenses incurred in connection herewith and the transactions contemplated by this Agreement and the Ancillary Agreements shall be paid by the party incurring such expenses, *except* that all fees or other amounts payable to any Governmental Authority in connection with the HSR Act and the organization and qualification of CEBA Bank in accordance with this Agreement shall be paid by the Purchaser.

(b) Any fees and assessments and similar charges payable to a Card Association with respect to the FDS Accounts shall be prorated between the parties for the Sellers' account prior to the First Closing Date and for the Purchaser's account from and after the First Closing Date. Any fees and assessments and similar charges payable to a Card Association with respect to the GE/Macy's Accounts shall be prorated between the parties for the Sellers' account prior to the Second Closing Date and for the Purchaser's account from and after the Second Closing Date. Any fees and assessments and similar charges payable to a Card Association with respect to the May Accounts shall be prorated between the parties for the Sellers' account prior to the Third Closing Date and for the Purchaser's account from and after the Third Closing Date. Except as described above, all fees and assessments and similar charges payable by FDS Bank or its Affiliates to a Card Association arising out of or relating to the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements, shall be for the account of the Sellers. To the extent possible, such proration shall be made as soon as possible thereafter in accordance with the adjustment procedures set forth in Section 2.3, Section 3.3 and Section 4.3.

(c) Collection efforts and related expenses on the FDS Accounts made or incurred by the Sellers prior to the First Closing Date shall be the responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the First Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the First Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents. As between the Sellers and the Purchaser, collection efforts and related expenses on the GE/Macy's Accounts made or incurred prior to the Second Closing Date shall be the responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the Second Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the Second Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents and the GE/Macy's Program Agreement. As between the Sellers and the Purchaser, collection efforts and related expenses on the May Accounts made or incurred prior to the Third Closing Date shall be the

responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the Third Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the Third Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents.

(d) The Purchaser shall be responsible for all fees of the rating agencies in connection with confirming ratings and providing approvals for the contemplated assumptions and any proposed amendments of the Prime Securitization Documents by the Purchaser.

(e) The Purchaser shall pay to the Sellers, as soon as practicable following receipt thereof, any payments or other proceeds that constitute Excluded Assets and are received after the First Closing by the Purchaser or any of its Affiliates, including Interchange Fees received by the Purchaser in respect of transactions under FDS Accounts occurring prior to the First Cut-Off Time, any Interchange Fees received by the Purchaser in respect of transactions under GE/Macy's Accounts occurring prior to the Second Cut-Off Time and any Interchange Fees received by the Purchaser in respect of transactions under May Accounts occurring prior to the Third Cut-Off Time. The Sellers shall pay to the Purchaser, as soon practicable following receipt thereof, any payments or other proceeds that constitute Acquired Assets and Stock and are received after the First Closing (or the Second Closing with respect to the GE/Macy's Assets or the Third Closing with respect to the May Accounts) by the Sellers or any of their Affiliates (other than pursuant to this Agreement), including Interchange Fees received by the Sellers in respect of transactions under FDS Accounts occurring on or after the First Cut-Off Time, any Interchange Fees received by the Sellers in respect of transactions under GE/Macy's Accounts occurring on or after the Second Cut-Off Time and any Interchange Fees received by the Sellers in respect of transactions under May Accounts occurring on or after the Third Cut-Off Time.

SECTION 13.3. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns. This Agreement and the rights and obligations hereunder may not be assigned by any party to any person without the prior written consent of the other parties hereto, and any purported assignment without such consent shall be void; provided that FDS Bank may, without such consent, assign its right and obligation to purchase the CEBA Equity Interests pursuant to Section 2.4(d) to FDS or any other Subsidiary of FDS upon written notice to the Purchaser.

SECTION 13.4. *Entire Agreement; Amendment; Waiver.* This Agreement and the Ancillary Agreements, including the annexes and schedules hereto and thereto, embody the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements with respect thereto, other than the Confidentiality Agreement. No representation, warranty, inducement, promise, understanding or condition not set forth in this Agreement (or the other documents referred to in the preceding sentence) has been made or relied on by any party in entering into this Agreement. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced.

SECTION 13.5. *Counterparts.* This Agreement may be executed in two or more counterparts any of which may be delivered by facsimile transmission and all of which shall together constitute one and the same instrument.

SECTION 13.6. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 13.7. *Waiver of Jury Trial and Venue.*

(a) Each party hereto hereby waives all right to trial by jury in any action or proceeding to enforce or defend any rights under this Agreement.

(b) Each party hereto hereby irrevocably submits to the jurisdiction of the United States District Court of Delaware or, if such federal jurisdiction is unavailable, in the state courts of the State of Delaware over any action arising out of this Agreement, and each party hereto hereby irrevocably waives any objection which such party may now or hereafter have to the laying of improper venue or *forum non conveniens*. Each party hereto agrees that a judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law. Any and all service of process and any other notice in any such suit, action or proceeding with respect to this Agreement shall be effective against any party hereto if given as provided herein.

SECTION 13.8. *Severability.* In case any one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and this Agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein and there had been contained herein instead such valid, legal and enforceable provisions as would most nearly accomplish the intent and purpose of such invalid, illegal or unenforceable provision.

SECTION 13.9. *No Petition.* The Purchaser covenants and agrees that it shall not, prior to the date that is one year and one day after the final payment of any series of investor certificates or any other series issued by the Master Trusts, acquiesce, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against Prime, Prime II or Master Trusts under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Prime, Prime II or the Master Trusts or any substantial part of its property or ordering the winding up or liquidation of the affairs of Prime, Prime II or the Master Trusts.

SECTION 13.10. *Public Announcement.* Except for any notice which is required by law or regulation, each of the Purchaser, on the one hand, and each Seller, on the other hand, agrees that it shall not issue a press release, make any other public statement or make any statement to the Employees with respect to the transactions contemplated by this Agreement or the Ancillary Agreements without

the prior written consent of the other, which consent shall not be unreasonably withheld or delayed. Each of the Purchaser, on the one hand, and each Seller, on the other hand, agrees, if possible, to notify and consult with the other at least twenty-four (24) hours in advance of filing any notice required by law or regulation.

SECTION 13.11. *Third-Party Beneficiaries*. Nothing in this Agreement, expressed or implied, shall confer on any person, other than the parties hereto and Prime or their respective successors and permitted assigns, any rights, remedies, obligations or liabilities; provided that the provisions of Article XII shall inure to the benefit of the Indemnified Parties.

SECTION 13.12. *Schedules*. The Schedules to this Agreement set forth, among other things, items the disclosure of which is required under this Agreement either in response to an express disclosure requirement contained in a provision of this Agreement or as an exception to one or more of the representations or covenants contained in this Agreement; provided that the mere inclusion of an item in a Schedule as an exception to a representation shall not be considered an admission by the disclosing party that such item (or any non-disclosed item or information of comparable or greater significance) represents a material exception or fact, event or circumstance or that such item has had or is reasonably expected to result in a Material Adverse Effect with respect to the disclosing party or the Business.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been executed on behalf of each of the parties hereto as of the day and year first above written.

CITIBANK, N.A.

By /s/ Ray Quinlan

Name: Ray Quinlan

Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By /s/ Ronald W. Tysoe

Name: Ronald W. Tysoe

Title: Vice Chair

FDS BANK

By /s/ Teresa Huxel

Name: Teresa Huxel

Title: President and Chief Financial Officer

PRIME II RECEIVABLES CORPORATION

By /s/ Susan P. Storer

Name: Susan P. Storer

Title: President

Schedule 1.1(a)

Assigned Contracts

- Visa-Branded Federated Department Stores Co-Branded Card Program Agreement dated October 22, 2002 between FDS Bank (“FDSB”) and Visa U.S.A. Inc. (“Visa”)
- Visa Partnership Program Member Commitment Document dated 12/17/99 signed by FDS National Bank, predecessor in interest to FDSB.
- Visa Incentive Network Issuer Participation Agreement between FDSB and Visa effective as of May 2, 2005.
- Debt Cancellation Joint Marketing and Administrative Services Agreement between AON Enterprise Insurance Services, Inc., FACS Group, Inc. (“FACS”), and FDSB dated _____, 2001, as amended.
- Assurant contracts:
 - FACS Program Agreement effective March 1, 1997 between FACS and American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida, and Bankers American Life Assurance Company (collectively, “ABIG”), as amended. [run off]
 - Letter dated November 27, 2001 from FACS to American Bankers Insurance Company of Florida and American Bankers Life Assurance Company of Florida.
 - Letter dated February 25, 2002 from FACS to American Bankers Insurance Company of Florida and American Bankers Life Assurance Company of Florida.
 - FACS and ABI Alliance Agreement effective February 1, 1998 between FACS and ABIG.
 - FACS and ABI Accidental Death Program Agreement effective March 1, 1998 between FACS and ABIG. [run off]
 - Insurance Service Agreement effective July 1, 2002 among Fortis Benefits Insurance, FACS, iTrust Insurance Agency, Inc. (“iTrust”), and FACS Insurance Agency, Inc. (“FACS Insurance Agency”).
 - Letter dated March 23, 2005 from FACS to Assurant Group.
 - Subscription Agreement to National Bank of Commerce, Trustee, from Federated Department Stores, Inc., executed by Federated Department Stores, Inc. on May 26, 1998, by National Bank of Commerce, Trustee on June 16, 1998, and by American Bankers Life Assurance Company of Florida and American Bankers Insurance Company of Florida.

-
- FACS and RMI Membership Program Agreement, effective May 1, 1998, between Roadgard Motor Club, Inc. and FACS. [run off]
 - FACS and Womensense Service Expense Reimbursement Agreement, effective September 1, 1998, between Consumer Assist Network Association, Inc., d/b/a/ WomenSense and FACS. [run off]
 - Marketing Agreement dated as of February _____, 2002 between FACS and FDSB and Trilegiant Corporation, as amended.
 - Revenue Enhancements Products Agreement between FACS, iTrust, and National Union Fire Insurance Company of Pittsburgh, PA dated as of October 1, 2002.
 - Joint Marketing Agreement dated June __, 2001 between FACS and FDSB and Progeny Marketing Innovations LLC (f/k/a FISI*Madison L.L.C.), as amended.
 - Consumer Credit Information and Credit Card Fraud Alert Registry Service Agreement between CreditComm Service LLC and FACS dated April 5, 1999. [run off]
 - Joint Marketing Agreement between FACS and Health Benefit Service Incorporated dated September 1, 2002. [run off]
 - Joint Marketing Agreement between FACS, FDSB, iTrust, and Aegon Direct Marketing Services, Inc. dated January 1, 2002. [run off]
 - Agreement between National Home Life Assurance Company, National Home Life Assurance Company of New York, National Liberty Marketing, Inc. and The Bon (A Division of Allied Stores Corp.) dated October 1, 1984. [run off]
 - Agreement between National Home Life Assurance Company, National Home Life Assurance Company of New York, National Liberty Marketing, Inc. and Maas Brothers (A Unit of Allied Stores Corp.) dated August 1, 1985. [run off]
 - Promotion and Marketing Agreement between Signature Agency, Inc. and FACS dated December 11, 2001. [run off]
 - Agreement between Financial and Credit Services Group (sic) and Montgomery Ward Enterprises, Inc. and The Signature Life Insurance Company of America [run off]
 - Mailing Agreement between The FACS Group (Rich's Department Stores) (sic) and Credit Card Sentinel (CCS) dated August 3, 1990. [run off]

-
- Agreement between FACS, iTrust and Union Fidelity Life Insurance Company dated March 1, 2002. [run off]
 - Service Agreement between Beneficial Standard Life Insurance Company (“Beneficial”) and Jordan Marsh Company effective September 1, 1970 and dated April 2, 1970, as amended. [run off]
 - Insurance Service Agreement between Beneficial and Shillito Rikes (a division of Federated Department Stores, Inc.) effective August 30, 1985, as assigned to Lazarus Agency Group, Inc. [run off]
 - Service Agreement between Allied Stores Corporation and Beneficial effective October 1, 1977. [run off]
 - Marketing Agreement between American Leisure Industries, Inc. and Goldsmiths Department Store (sic) dated October 6, 1987 as amended. [run off]
 - Service Agreement between Rich’s, a division of Federated Department Stores, Inc., Bankers Security Life Insurance Society and Coverdell & Company, Inc. dated May 1, 1986. [run off]
 - Agreement between Rich’s, a division of Federated Department Stores, Inc., and Coverdell & Company, Inc. dated October 15, 1987. [run off]
 - Insurance Marketing and Administrative Agreement between Federated/Allied Credit Services (sic) and Coverdell & Company, Inc. dated October 10, 1990. [run off]
 - Agreement between FACS and Coverdell & Company, Inc. dated June 20, 1994 regarding service fee adjustment on previously offered services. [run off]
 - 20 1-page Agreements between General Vitamin Corporation and various divisions of Federated Department Stores dated 1997-1999. [run off]
 - Insurance Producer Agreement between FACS, iTrust, FACS Insurance Agency, Balboa Insurance Company, and Meritplan Insurance Company

Schedule 1.1(b)(1)

Form of First Closing Statement

FDS Purchase Price

1. Gross Receivables in respect of the FDS Accounts (\$_____)

Plus

2. [redacted]

Plus

3. [redacted]

Plus

4. [redacted]

Minus

5. [redacted]

Equals

6. [redacted]

Plus

7. [redacted]

Form of Second Closing Statement

GE/Macy's Purchase Price

1. Gross Receivables in respect of the GE/Macy's Accounts (\$_____)

Plus

2. [redacted]

Plus

3. [redacted]

Equals

4. [redacted]

Plus

5. [redacted]

Form of Third Closing Statement

May Purchase Price

1. Gross Receivables in respect of the May Accounts (\$_____)

Plus

2. [redacted]

Plus

3. [redacted]

Equals

4. [redacted]

Plus

5. [redacted]

Schedule 1.1(c)(1)

Seller's Knowledge

Ron Tysoe

Amy Hanson

Teresa Huxel

Padma Cariappa

Michael Gatio

Thomas Cole

Schedule 1.1(c)(2)

Purchaser's Knowledge

Michael Heyrich

Edward Turan

Julie Nelson

Jane Sherburne

William E. Johnson

Schedule 1.1(d)

Form of Master File

See attached Data Dictionary

Schedule 1.1(e)

Prime Securitization Bank Accounts

PRIME BANK ACCOUNTS

Bank of America	[redacted]
PNC Bank	[redacted]
Fifth Third Bank	[redacted]
First Hawaiian Bank	[redacted]
USBank	[redacted]

JPMorgan Chase Bank redacted

PNC Bank *[redacted]

* this account will be closed prior to the First Closing unless Citibank would like to keep this account

Schedule 1.1(f)

Prime Securitization Documents

- Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (the “Pooling and Servicing Agreement”), among the Company, Prime Receivables Corporation (“Prime”) and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), successor to Chemical Bank, as Trustee
 - First Amendment, dated as of December 1, 1993, to the Pooling and Servicing Agreement
 - Second Amendment, dated as of February 28, 1994, to the Pooling and Servicing Agreement
 - Third Amendment, dated as of May 31, 1994, to the Pooling and Servicing Agreement
 - Fourth Amendment, dated as of January 18, 1995, to the Pooling and Servicing Agreement
 - Fifth Amendment, dated as of April 30, 1995, to the Pooling and Servicing Agreement
 - Sixth Amendment, dated as of July 27, 1995, to the Pooling and Servicing Agreement
 - Seventh Amendment, dated as of May 14, 1996, to the Pooling and Servicing Agreement
 - Eighth Amendment, dated as of March 3, 1997, to the Pooling and Servicing Agreement
 - Ninth Amendment, dated as of August 28, 1997, to the Pooling and Servicing Agreement
 - Tenth Amendment, dated as of August 3, 1998, to the Pooling and Servicing Agreement
 - Eleventh Amendment, dated as of March 23, 2000, to the Pooling and Servicing Agreement
 - Twelfth Amendment, dated as of November 20, 2001, to the Pooling and Servicing Agreement
 - Thirteenth Amendment, dated as of April 9, 2003, to the Pooling and Servicing Agreement
- Assumption Agreement under the Pooling and Servicing Agreement, dated as of September 15, 1993
- Series 1992-3 Supplement, dated as of January 5, 1993, to the Pooling and Servicing Agreement [to be terminated prior to First Closing Date]
- Series 2000-1 Supplement, dated as of December 7, 2000, to Amended and Restated Pooling and Servicing Agreement dated as of December 15, 1992

-
- 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
 - First Amendment, dated as of June 23, 1993, to the Receivables Purchase Agreement
 - Second Amendment, dated as of December 1, 1993, to the Receivables Purchase Agreement
 - Third Amendment, dated as of February 28, 1994, to the Receivables Purchase Agreement
 - Fourth Amendment, dated as of May 31, 1994, to the Receivables Purchase Agreement
 - Fifth Amendment, dated as of April 30, 1995, to the Receivables Purchase Agreement
 - Sixth Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement
 - Seventh Amendment, dated as of August 26, 1995, to the Receivables Purchase Agreement
 - Eighth Amendment, dated as of May 14, 1996, to the Receivables Purchase Agreement
 - Ninth Amendment, dated as of March 3, 1997, to the Receivables Purchase Agreement
 - Tenth Amendment, dated as of March 23, 2000, to the Receivables Purchase Agreement
 - Eleventh Amendment, dated as of November 20, 2001, to Receivables Purchase Agreement
 - Twelfth Amendment, dated as of April 9, 2003, to Receivables Purchase Agreement
 - First Supplement, dated as of September 15, 1993, to the Receivables Purchase Agreement
 - Second Supplement, dated as of May 31, 1994, to the Receivables Purchase Agreement
 - Third Supplement, dated as of August 26, 1995, to the Receivables Purchase Agreement
 - Fourth Supplement, dated as of May 14, 1996, to the Receivables Purchase Agreement
 - Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, now known as Seven Hills Funding Corporation (“Seven Hills”), the Company, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Depository [to be terminated prior to First Closing Date]
 - 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 [to be terminated prior to First Closing Date]

-
- Pledge and Security Agreement, dated as of December 31, 1992, among Seven Hills, the Company, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Depository and Collateral Agent, and the Liquidity Agent [to be terminated prior to First Closing Date]
 - First Omnibus Amendment, dated as of December 19, 2003, among Seven Hills, the Company, FDS Bank, Credit Suisse First Boston, New York Branch, JPMorgan Chase Bank and the banks listed therein [to be terminated prior to First Closing Date]
 - Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Seven Hills, the Company, and Goldman Sachs Money Markets, L.P. [to be terminated prior to First Closing Date]
 - Commercial Paper Dealer Agreement, dated as of November 2, 2001, between Seven Hills, the Company and J.P. Morgan Securities Inc. (formerly known as Banc One Capital Markets, Inc.) [to be terminated prior to First Closing Date]
 - Commercial Paper Dealer Agreement, dated as of November 15, 2001, between Seven Hills, the Company and Credit Suisse First Boston [to be terminated prior to First Closing Date]

Schedule 1.1(g)

Prime II Securitization Documents

- Receivables Purchase Agreement, dated as of January 22, 1997, among FDS Bank (successor in interest to FDS National Bank) and Prime II Receivables Corporation (“Prime II”)
- Class A Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS Bank (successor in interest to FDS National Bank), The Class A Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent
- Class B Certificate Purchase Agreement, dated as of January 22, 1997, among Prime II, FDS Bank (successor in interest to FDS National Bank), The Class B Purchasers Parties thereto and Credit Suisse First Boston, New York Branch, as Agent
- Class A Certificate Purchase Agreement, dated as of July 6, 1999, by and among Prime II, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, The Class A Purchasers, and PNC Bank, National Association, as Agent and Administrative Agent (the “1999 Class A Certificate Purchase Agreement”)
 - First Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of August 3, 1999
 - Second Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of October 10, 2000
 - Third Amendment to the 1999 Class A Certificate Purchase Agreement, dated as of July 30, 2002
 - Fourth Amendment to the 1999 Class A Certificate Purchase Agreement, dated May 25, 2004
 - Fifth Amendment to the 1999 Class A Certificate Purchase Agreement, dated November 29, 2004
- Class B Certificate Purchase Agreement, dated as of July 6, 1999, by and among Prime II, as Transferor, FDS Bank (successor in interest to FDS National Bank), as Servicer, The Class B Purchasers, and PNC Bank, National Association, as Agent and Administrative Agent (the “1999 Class B Certificate Purchase Agreement”)
 - First Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of August 3, 1999
 - Second Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of October 10, 2000
 - Third Amendment to the 1999 Class B Certificate Purchase Agreement, dated as of July 30, 2002
 - Fourth Amendment to the 1999 Class B Certificate Purchase Agreement, dated May 25, 2004
 - Fifth Amendment to the 1999 Class B Certificate Purchase Agreement, dated November 29, 2004

-
- Class A Certificate Purchase Agreement, dated as of November 6, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, The Class A Purchasers, and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent (“the 2002 Class A Certificate Purchase Agreement”)
 - First Amendment to the 2002 Class A Certificate Purchase Agreement, dated November 4, 2004
 - Class B Certificate Purchase Agreement, dated as of November 6, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, The Class B Purchasers, and Bank One, NA (Main Office Chicago), as Agent and Administrative Agent (the “2002 Class B Certificate Purchase Agreement”)
 - First Amendment to the 2002 Class B Certificate Purchase Agreement, dated November 4, 2004
 - Pooling and Servicing Agreement, dated as of January 22, 1997, (the “Prime II Pooling and Servicing Agreement”) among Prime II, FDS Bank (successor in interest to FDS National Bank) and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee
 - First Amendment to Prime II Pooling and Servicing Agreement, dated as of July 5, 2002, by and among Prime II, as Transferor, FDS Bank, as Servicer, and JPMorgan Chase Bank, as Trustee
 - Series 1997-1 Variable Funding Supplement, dated as of January 22, 1997, to the Prime II Pooling and Servicing Agreement
 - First Amendment to Series 1997-1 Variable Funding Supplement, dated as of June 19, 2000, to the Prime II Pooling and Servicing Agreement
 - Second Amendment to Series 1997-1 Variable Funding Supplement, dated as of July 5, 2002, to the Prime II Pooling and Servicing Agreement
 - Series 1999-1 Variable Funding Supplement, dated as of July 6, 1999, to the Prime II Pooling and Servicing Agreement
 - First Amendment to Series 1999-1 Variable Funding Supplement, dated as of August 1, 2000, to the Prime II Pooling and Servicing Agreement
 - Second Amendment to Series 1999-1 Variable Funding Supplement, dated as of July 5, 2002, to the Prime II Pooling and Servicing Agreement
 - Series 2002-1 Variable Funding Supplement, dated as of November 6, 2002, to the Prime II Pooling and Servicing Agreement

Schedule 1.1(h)

Termination Fee

\$(redacted)

Schedule 5.1(c)

Governmental and Third Party Consents

Requisite Regulatory Approvals

HSR, if applicable.

Bank Merger Act with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.

OTS approval with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.

OCC approval and OTS approval with respect to the purchase of the CEBA Equity Interests.

Third Party Consents

Software License Agreement between Pitney Bowes docSense, Inc. as licensor, and FACS and Federated Systems Group, Inc. ("FSG") as licensee, dated as of March 18, 2003. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

Master Software Agreement between Exstream Software, Inc. as licensor, and FACS and FSG as licensee, dated January 1, 2003. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

Professional Services Agreement between Prinova Technologies, Inc. and FACS, dated August 4, 2004, and related Statements of Work and Support Services Agreement. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

IT Services Agreement between Xerox Global Services, Inc. and its parent company Xerox Corporation (jointly, "XGS") and FACS, dated as of November 24, 2004, and related Statement of Work and EOMS Software Ver 8. __ Master License and Support Agreement. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

Services Agreement for Custom Scoring Models between Experian Information Solutions, Inc. and FACS dated June 7, 2004, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

FACS GROUP, INC. AGREEMENT between FACS and Fair, Isaac and Company, Incorporated ("FICO") signed June 26 and June 30, 1998 (prop behavior scorecard).

[Contract to be amended to permit the activities contemplated by the Program Agreement.]

FINGERHUT CORPORATION TRIAD SOFTWARE SYSTEM LICENSE AGREEMENT between Fingerhut Corporation (“Fingerhut”) and FICO signed August 7 and 13, 1997, as assigned by Fingerhut to FACS in Assignment and Assumption Agreement between Fingerhut, FACS, and FICO dated May 24, 2000, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

Master Customer Agreement between HNC Software, Inc. and FSG dated as of March 29, 2001. [Contract to be amended to permit the activities contemplated by the Program Agreement.]

Assurant contracts:

FACS Program Agreement effective March 1, 1977 between FACS and American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida, and Bankers American Life Assurance Company (collectively, “ABIG”), as amended. [run off]

FACS and ABI Alliance Agreement effective February 1, 1998 between FACS and ABIG

FACS and ABI Accidental Death Program Agreement effective March 1, 1998 between FACS and ABIG. [run off]

Insurance Service Agreement effective July 1, 2002 among Fortis Benefits Insurance, FACS, iTrust Insurance Agency, Inc. (“iTrust”), and FACS Insurance Agency, Inc. (“FACS Insurance Agency”).

FACS and RMI Membership Program Agreement, effective May 1, 1998 between Roadgard Motor Club, Inc. and FACS. [run off]

FACS and Womensense Service Expense Reimbursement Agreement, effective September 1, 1998, between Consumer Assist Network Association, Inc., d/b/a/ WomenSense and FACS. [run off]

Marketing Agreement dated as of February ____, 2002 between FACS and FDSB and Trilegiant Corporation, as amended.

Revenue Enhancements Products Agreement between FACS, iTrust, and National Union Fire Insurance Company of Pittsburgh, PA dated as of October 1, 2002.

Joint Marketing Agreement dated June __, 2001 between FACS and FDSB and Progeny Marketing Innovations LLC (f/k/a FISI*Madison L.L.C.), as amended

Consumer Credit Information and Credit Card Fraud Alert Registry Service Agreement between CreditComm Service LLC and FACS dated April 5, 1999. [run off]

Perpetual License Agreement, by and between Group 1 Software, Inc. and Federated Systems Group, Inc. dated March 30, 1990 and Addenda #2-11

Software License Agreement by and between Vanguard Integrity Professionals and Federated Systems Group, Inc. dated September 29, 1997

License Agreement, by and between The Systems Center, Inc. and The Sabre Group, dated June 28, 1988

Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated October 15, 1987

Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated August 28, 1989

Proprietary Software License Agreement, by and between Advanced Software Technologies Company, Ltd. and The Sabre Group dated January 28, 1988

CPU License Agreement, by and between Levi, Ray & Shoup, Inc. and Federated Systems Group, Inc. dated March 11, 1998

Software License and Services Agreement, by and between LBSS, Inc. and Federated Systems Group, Inc. dated November 3, 2000

Permanent License Agreement for Proprietary Software Products and Maintenance, by and between Compuware Corporation and The Sabre Group, dated March 28, 1986

Enterprise Addendum, by and between Compuware Corporation and Federated Systems Group, Inc., dated August 31, 2001 and Enterprise Schedule No. 1

Schedule 5.1(e)(2)

SEC Reports: Other Financial Information

The financial information included in the following sections of the Confidential Information Memorandum dated November 2004 (including any revisions):

- Portfolio Overview and Portfolio Summary charts on pages 9 and 10
- Section 3D (Portfolio Overview), pages 25-30
- Summary Credit Statistics, page 36
- Operating Expenses, page 45
- Flamingo Portfolio Summary (FDS 04, GECC 04, Prem 04, Base 04, SAV 04, and Stratification Data sections)

The financial information included in the following section of the Preliminary Indication of Interest Instructions, dated as of December 1, 2004:

- Section vii, Key Assumptions

Schedule 5.1(f)

Absence of Certain Changes

2005 YTD Portfolio and Operational Enhancements and Changes

- a. New loyalty program for Macy's ("STAR Rewards")
 - i. New card designs and overall card structure
 - ii. Statement re-design (including rewards certificate on statement)
 - iii. Modified risk reissue criteria to include behavior score
 - iv. On-line activation capability on macy's.com
 - v. "STAR Rewards" marketing collateral
- b. Change in hours of operation for Customer Service
 - i. Extended hours (nights and weekends) for home calls – July 2005
 - ii. New hours include all store hours availability for home calls
- c. Changes to acquisition score cut for VISA accounts
 - i. [redacted]
- d. Changes to acquisition score cut for proprietary accounts
 - i. [redacted]
 - ii. [redacted]
- e. [redacted]
- f. Fraud prevention referrals for STAR Rewards launch
 - i. [redacted]
 - ii. [redacted]
 - iii. [redacted]
- g. International Service Fee Assessment planned for July 2005
- h. On-line EZ-Pay capabilities accessible on macy's.com
 - i. Effective in March, 2005
- i. Language of Preference capabilities
 - i. Ability for customer to request statements and credit correspondence to be delivered in Spanish
 - ii. Available during Spring season 2005
- j. Expansion of Indian Call Center Support
 - i. [redacted]

Schedule 5.1(h)

Litigation

<u>Date Served</u>	<u>Case Name</u>	
	John W. Morrow vs. The Bon Marche and FACS Group, Inc.	[redacted]
2/4/2004	Barbara Kelly v. Bloomingdale's, Inc.	[redacted]
6/16/2003	Carlos M. Benitez, Jr. vs. Experian Corp. y/o Experian Inc, Equifax Corp y/o Equifax Inc, Trans Union Corp y/o Trans Union Inc, Macys de Puerto Rico, et al	[redacted]
7/27/2004	Elizabeth A. Olson v. The Bon, Inc. and FACS Group	[redacted]
1/10/2005	Huguette A. Flambert Riboul v. Macy's	[redacted]
7/31/2002	Emily J. Moskowitz vs. Bloomingdale's, Inc	[redacted]
3/1/2005	Felix R. Gonzalez v. Experian Information Solutions, Inc., FDS National Bank, et. al.	[redacted]
12/3/2004	Kenneth J. Warren vs. FACS Group, Inc.	[redacted]
3/9/2005	Benjamin Chiang vs. Rich's Department Stores, Inc. d/b/a/ Rich's-Macy's	[redacted]
3/9/2005	Ava Lee vs. Rich's Department Stores, Inc. d/b/a/ Rich's-Macy's	[redacted]
1/11/2005	Laura Morales v. Burdines, Inc. and Premier Recovery, Inc.	[redacted]

3/2/2005	Shaunda N. Williams v. Trans Union LLC, Belden Jewelers, [redacted] a Division of Sterling Jewelers, Inc., W.S. Badcock Corporation, dba Badcock Home Furnishing Centers, Burdines, A Division of Federated Systems Group, Inc.
Feb. 2005	Ignacio Agustin Gomez v. Macy's Department Stores, Inc., [redacted] et al
5/2/2005	William C. Roberts v. FDS Bank, Federated Dept. Stores, [redacted] Macy's East

Schedule 5.1(1)(4)

Accounts

See Schedule 5.1(f).

Schedule 5.1(q)

Outstanding Liabilities of Prime

\$400mm of Class A Certificates from Series 2000-1 Series Supplement

Accrued interest on the \$400mm Class A Certificates

Schedule 5.1(r)

Intellectual Property

- the Program Agreement (as provided and as permitted thereunder)
- the GE/Macy's Program Agreement
- agreements with respect to rental of the Cardholder List (or other list containing the same or a portion of the information contained in the Cardholder List)
- agreements with respect to ancillary products
- agreements with respect to products offered through inserts, fillers and bangtails

[redacted]

Schedule 5.2(c)

Governmental and Third Party Consents

HSR, if applicable.

Bank Merger Act with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.

OCC approval to charter CEBA Bank.

OCC approval to establish CEBA Bank as an operating subsidiary of Citibank N.A.

FDIC approval for Federal deposit insurance for CEBA Bank.

Schedule 6.16

May Portfolio Calculations and Procedures

The requirement set forth in clause (i) of Section 6.16(b) shall be deemed not satisfied if the May Net Yield for the 12 Fiscal Month period ending at the end of the second Fiscal Month preceding the date on which the Third Closing Date is scheduled (for purposes of this Schedule, the “Measurement Period”) to occur is [redacted].

For purposes of the above calculation:

“Average May Cardholder Indebtedness” means, for the Measurement Period, (a) Cardholder Indebtedness under the May Accounts, calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, as of the end of each day during such period divided by (b) the number of days in such period.

“May Net Charge-Offs” means, for Measurement Period, concessions, reversals and write-offs of finance charges, late fees, NSF fees, pay-by-phone fees and other similar fees taken on the May Accounts during such period, net of (A) any recoveries of concessions, reversals and write-offs of such charges and fees during such period and (B) any such concessions, write-offs and reversals referred to above that would constitute one-time charges relating to the integration of the May Accounts into the Business and the adjustment of operating policies relating thereto.

“May Net Credit Income” means, for the Measurement Period, an amount equal to (a), the sum of assessed or accrued finance charges and late fees, NSF fees, pay-by-phone fees and other similar fees on the May Accounts during such period, minus (b) the Net May Charge-Offs for such period.

“May Net Yield” means, for Measurement Period, (i) May Net Credit Income for such period, divided by (ii) Average May Cardholder Indebtedness for such period.

Schedule 6.17

Interim Servicing Reports

Weekly New Account and Penetration results by division, by region along with month to date, year to date figures

Monthly New Account Acquisition Summary

Credit Granting Summary Data Report

Weekly Collection Roll Rate Reports / Write-off Forecasts

Rolling Operation Forecast

Schedule 7.1

Third Party Consents Required for Closing

Order Form executed October 27, 1999, between Computer Associates International, Inc. and Federated Systems Group, Inc., with addenda and supplements.

Schedule 9.2(b)

May Financial Information

FDS shall, subject to Section 6.16, make the representation set forth in Section 5.1(e)(2) pursuant to Section 9.2(b) on the Third Closing Date solely with respect to the financial information included in the following sections of the Project Milan Confidential Information Memorandum dated April 2005:

Overview of May Credit Card Portfolio, pages 6, 25, 26

Summary Financial Information, Operating Expenses and Accounting Policies on pages 21, 22 and 23, respectively

New Account Summary, page 37

Milan Statistical Appendix (May Department Stores and Marshall Field's sections)

Program Agreement

[filed separately]

Form of First Instrument of Assignment and Assumption

AGREEMENT, dated as of _____, 2005, between Federated Department Stores, Inc., a Delaware corporation ("**FDS**"), FDS Bank, a federally chartered stock savings bank ("**FDS Bank**"), Prime II Receivables Corporation, a Delaware corporation ("**Prime II**"), and Citibank, N.A., a national banking association (the "**Purchaser**").

WITNESSETH:

WHEREAS, FDS, FDS Bank, Prime II and the Purchaser are parties to that certain Purchase, Sale and Servicing Transfer Agreement, dated as of June 1, 2005 (the "**Purchase and Sale Agreement**"); and

WHEREAS, pursuant to the Purchase and Sale Agreement, FDS, FDS Bank and Prime II have agreed to sell all of their right, title and interest in and to the FDS Assets to the Purchaser, and the Purchaser has agreed to purchase such right, title and interest in and to the FDS Assets and to assume the FDS Liabilities;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, subject to the terms and conditions of the Purchase and Sale Agreement, FDS, FDS Bank, Prime II and the Purchaser agree as follows:

1. **Assignment of Specified Assets.** Effective as of the date hereof, FDS Bank and Prime II do hereby sell, convey and assign to the Purchaser, free and clear of all Liens, except Permissible Liens, all of their right, title and interest in, to and under the Specified Assets that constitute the FDS Assets and the Purchaser hereby accepts the foregoing assignment of such Specified Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

2. **Assignment of Other FDS Assets.** Effective as of the date hereof, FDS, FDS Bank and Prime II do hereby sell, convey and assign (or cause their Subsidiaries to sell, convey and assign) to the Purchaser, free and clear of all Liens, except Permissible Liens, all of their right, title and interest in, to and under the FDS Assets, other than the Specified Assets that constitute the FDS Assets, and the Purchaser hereby accepts the foregoing assignment of such FDS Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

3. **Assumption of FDS Liabilities.** Effective as of the date hereof, the Purchaser does hereby assume, and agrees to pay, defend, discharge and perform as and when due the FDS Liabilities, upon the terms and conditions set forth in the Purchase and Sale Agreement. For greater certainty, the Purchaser will not be assuming or agreeing to pay, defend, discharge and perform the Excluded Liabilities.

4. No Third Party Beneficiaries. Subject to the terms and conditions of the Purchase and Sale Agreement, this Agreement shall be binding upon and inure solely to the benefit of the Purchaser and its permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

5. Amendments and Waivers. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced.

6. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

7. Counterparts. This Agreement may be executed in counterparts, which may be delivered by facsimile transmission. Each counterpart shall be deemed an original, and all counterparts taken together shall constitute one and the same instrument.

8. Defined Terms. Capitalized terms used herein but not defined shall have the meanings set forth in the Purchase and Sale Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the parties hereto as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: _____
Name:
Title:

FDS BANK

By: _____
Name:
Title:

PRIME II RECEIVABLES CORPORATION

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

Form of Second Instrument of Assignment and Assumption

AGREEMENT, dated as of _____, 200_, between Federated Department Stores, Inc., a Delaware corporation ("**FDS**"), FDS Bank, a federally chartered stock savings bank ("**FDS Bank**"), and Citibank, N.A., a national banking association (the "**Purchaser**").

WITNESSETH:

WHEREAS, FDS, FDS Bank, Prime II Receivables Corporation and the Purchaser are parties to that certain Purchase, Sale and Servicing Transfer Agreement, dated as of June 1, 2005 (the "**Purchase and Sale Agreement**"); and

WHEREAS, pursuant to the Purchase and Sale Agreement, FDS and FDS Bank have agreed to sell all of their right, title and interest in and to the GE/Macy's Assets to the Purchaser, and the Purchaser has agreed to purchase such right, title and interest in and to the GE/Macy's Assets and to assume the GE/Macy's Liabilities;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, subject to the terms and conditions of the Purchase and Sale Agreement, FDS, FDS Bank and the Purchaser agree as follows:

1. Assignment of Specified Assets. Effective as of the date hereof, FDS Bank does hereby sell, convey and assign to the Purchaser, free and clear of all Liens, except Permissible Liens, all of their right, title and interest in, to and under the Specified Assets that constitute the GE/Macy's Assets and the Purchaser hereby accepts the foregoing assignment of such Specified Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

2. Assignment of Other GE/Macy's Assets. Effective as of the date hereof, FDS and FDS Bank do hereby sell, convey and assign (or cause their Subsidiaries to sell, convey and assign) to the Purchaser, free and clear of all Liens, except Permissible Liens, all of their right, title and interest in, to and under the GE/Macy's Assets, other than the Specified Assets that constitute the GE/Macy's Assets, and the Purchaser hereby accepts the foregoing assignment of the such GE/Macy's Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

3. Assumption of GE/Macy's Liabilities. Effective as of the date hereof, the Purchaser does hereby assume, and agrees to pay, defend, discharge and perform as and when due the GE/Macy's Liabilities, upon the terms and conditions set forth in the Purchase and Sale Agreement. For greater certainty, the Purchaser will not be assuming or agreeing to pay, defend, discharge and perform the Excluded Liabilities.

4. No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Purchaser and its permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

5. Amendments and Waivers. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced.

6. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

7. Counterparts. This Agreement may be executed in counterparts, which may be delivered by facsimile transmission. Each counterpart shall be deemed an original, and all counterparts taken together shall constitute one and the same instrument.

8. Defined Terms. Capitalized terms used herein but not defined shall have the meanings set forth in the Purchase and Sale Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the parties hereto as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: _____
Name:
Title:

FDS BANK

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

Form of Third Instrument of Assignment and Assumption

AGREEMENT, dated as of _____, 200_, between Federated Department Stores, Inc., a Delaware corporation ("**FDS**"), FDS Bank, a federally chartered stock savings bank ("**FDS Bank**") and Citibank, N.A., a national banking association (the "**Purchaser**").

WITNESSETH:

WHEREAS, FDS, FDS Bank, Prime II Receivables Corporation and the Purchaser are parties to that certain Purchase, Sale and Servicing Transfer Agreement, dated as of June 1, 2005 (the "**Purchase and Sale Agreement**"); and

WHEREAS, pursuant to the Purchase and Sale Agreement, FDS and FDS Bank have agreed to sell all of their right, title and interest in and to the May Assets to the Purchaser, and the Purchaser has agreed to purchase such right, title and interest in and to the May Assets and to assume the May Liabilities;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, subject to the terms and conditions of the Purchase and Sale Agreement, FDS, FDS Bank and the Purchaser agree as follows:

1. **Assignment of Specified Assets.** Effective as of the date hereof, [_____] do[es] hereby sell, convey and assign to the Purchaser, free and clear of all Liens, except Permissible Liens, all of [their][its] right, title and interest in, to and under the Specified Assets that constitute the May Assets and the Purchaser hereby accepts the foregoing assignment of such Specified Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

2. **Assignment of Other May Assets.** Effective as of the date hereof, FDS and FDS Bank do hereby sell, convey and assign (or cause May Bank to sell, convey and assign) to the Purchaser, free and clear of all Liens, except Permissible Liens, all of their right, title and interest in, to and under the May Assets, other than the Specified Assets that constitute the May Assets, and the Purchaser hereby accepts the foregoing assignment of such May Assets, upon the terms and conditions set forth in the Purchase and Sale Agreement.

3. **Assumption of May Liabilities.** Effective as of the date hereof, the Purchaser does hereby assume, and agrees to pay, defend, discharge and perform all May Liabilities, upon the terms and conditions set forth in the Purchase and Sale Agreement. For greater certainty, the Purchaser will not be assuming or agreeing to pay, defend, discharge and perform the Excluded Liabilities.

4. **No Third Party Beneficiaries.** Subject to the terms and conditions of the Purchase and Sale Agreement, this Agreement shall be binding upon and inure solely to the benefit of the Purchaser and its permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

5. Amendments and Waivers. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced.

6. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

7. Counterparts. This Agreement may be executed in counterparts, which may be delivered by facsimile transmission. Each counterpart shall be deemed an original, and all counterparts taken together shall constitute one and the same instrument.

8. Defined Terms. Capitalized terms used herein but not defined shall have the meanings set forth in the Purchase and Sale Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the parties hereto as of the day and year first above written.

FEDERATED DEPARTMENT STORES, INC.

By: _____
Name:
Title:

FDS BANK

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

Summary of Terms of CEBA Equity Interests**Preliminary Terms of Preferred Stock,**
CEBA Bank Charter and Stockholders Agreement

Issuer:	A newly formed national bank (“Newco”).
Newco Purpose:	To offer and issue FDS Credit Cards (as defined in the Program Agreement; capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Program Agreement or the Purchase Agreement, as applicable) and Approved Ancillary Products in accordance with the terms and conditions of the Program Agreement and all activities incidental thereto (the “ <u>Business</u> ”). CEBA Bank will not engage in any business or issue any Credit Cards except pursuant to the Program Agreement. CEBA Bank will at all times during the Term conform its operations so as to meet the requirements of 12 U.S.C. 1841(c)(2) or any comparable successor statute.
Purchaser:	FDS Bank, a federally-chartered stock savings bank or Federated Department Stores, Inc., a Delaware corporation.
Securities:	Series A Preferred Stock of Newco (the “ Preferred Stock”).
Amount of Issue:	\$(redacted).
Ranking:	The Preferred Stock will, with respect to all rights, rank junior to all other classes and series of preferred stock of Newco.
Voting Rights:	Each share of Preferred Stock shall be entitled to one vote per share on all matters to which the holders of Preferred Stock are entitled to vote. The Preferred Stock shall not be entitled to vote on any matter as a class with the common stock of Newco. The Preferred Stock shall not have any voting rights except as required by law and except as set forth below under “Directors” and “Governance”. The class of Preferred Stock shall have no more than 19% of the aggregate voting power of Newco.

Directors:	The Preferred Stock, as a class, shall be entitled to elect one director to the board of directors of Newco (the “Board”). For so long as the Equity Holder (as defined below) owns, in the aggregate, at least 49% of the outstanding shares of Preferred Stock, the Equity Holder shall be entitled to elect such director. Newco’s articles of association shall provide that the Board shall be comprised of at least six members. At any meeting of Newco stockholders to elect directors, Citibank will vote all its shares of capital stock of Newco in favor of the Equity Holder’s nominee.
Dividends:	The Preferred Stock will not pay dividends.
Liquidation Preference:	Upon any liquidation, dissolution or winding up of Newco, as the case may be, the holders of the Preferred Stock shall be entitled to receive an amount equal to the Issue Price.
Redemption:	<p>Subject to FDS’ repurchase rights in the event of the termination of the Program Agreement, Newco may redeem the Preferred Stock: (i) upon the expiration of the Program Agreement; (ii) upon the termination of the Program Agreement by either FDS or Citibank; or (iii) in the event any Equity Holder (other than FDS) is no longer a wholly owned Subsidiary of FDS.</p> <p>The redemption price shall be equal to the Issue Price.</p>
Transferability:	The Preferred Stock shall not be transferable without the prior written consent of Newco, provided that upon 10 business days’ prior written notice to Newco, any FDS holder may transfer the Preferred Stock to FDS or one or more of its other wholly owned Subsidiaries (FDS Bank, FDS or such wholly owned Subsidiary of FDS, as the case may be, the “Equity Holder”).
Anti-Dilution:	Customary adjustments for stock splits, combinations, reclassifications, stock dividends, stock repurchases, issuances of Preferred Stock and other structural changes.
Capital Contributions:	The Equity Holder shall not be required to make any capital contributions to Newco.
Governance:	<p>Notwithstanding anything to the contrary contained herein, except to the extent required by Newco’s chartering authority or as required by applicable law, for so long as the Equity Holder owns at least 49% of the outstanding shares of Preferred Stock, in addition to any rights provided by applicable law, Newco shall not take any of the following actions without the affirmative vote of the Equity Holder:</p> <ol style="list-style-type: none">(1) amend Newco’s articles of association or bylaws if such amendment would adversely affect the rights of the Equity Holder set forth herein as a stockholder of Newco or the rights of FDS and its Affiliates under the Program Agreement and Ancillary Agreements;(2) change the Purpose of Newco or enter into any line of business or activities other than the Business;(3) make any equity investment in any other Person (including the creation of any Subsidiary);

-
- (4) originate, purchase or otherwise acquire any Credit Card accounts, or issue, offer, sponsor or market any Credit Card or Ancillary Product, except in any such case to the extent permitted by the Program Agreement;
 - (5) consummate or become obligated to consummate any (a) consolidation or merger of Newco with or into another entity or any other business combination, whether by asset or stock sale or otherwise, (b) sale of significant assets of Newco or any of its Subsidiaries, other than in accordance with the terms of the Program Agreement; or (c) acquisition of equity or debt of another Person (other than extensions of credit to Cardholders in respect of the Accounts in accordance with the Program Agreement or otherwise as expressly permitted by the Program Agreement) or substantially all or any material portion of the assets or business of another Person;
 - (6) issue any additional shares of Preferred Stock to any Person other than to FDS or any of its wholly owned Subsidiaries;
 - (7) consent to the appointment by the FDIC or any other regulatory authority having jurisdiction over Newco of a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of Newco or any substantial part of its properties, or the winding-up or liquidation of the affairs of Newco.

At FDS Bank's reasonable discretion, the foregoing consent rights will be addressed as appropriate in the Newco Charter or in a Stockholders Agreement.

**Exculpation;
Indemnification;
Insurance:**

To the fullest extent permitted by federal law, no director of Newco shall be liable to Newco or any other stockholder or director, except by reason of such Person's (a) willful misconduct, fraud or bad faith or (b) receipt from Newco of a personal benefit to which such Person is not legally entitled. Each director of Newco shall be indemnified by Newco against any claims against such Person by reason of the fact that he or she is a director of Newco. Newco shall purchase and maintain customary insurance (including directors' and officers' liability insurance); provided that, in lieu thereof, the Newco may provide such coverage pursuant to insurance policies maintained by it or its other Affiliates.

Liens:

The Equity Holder shall not permit or allow any of the shares of Preferred Stock held by it to become subject to any Lien.

Other Terms:	This term sheet does not include a description of all of the terms, conditions and other provisions that are to be contained in the definitive documentation governing such matters, which remain subject to discussion and negotiation to the extent not inconsistent with the specific matters set forth herein.
Governing Law:	Newco charter: Federal law. Stockholders Agreement: Delaware law

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SECOND AMENDMENT TO PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT

This SECOND AMENDMENT TO PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT, dated as of June 1, 2005, (this “Amendment”) is made and entered into as of October 24, 2005, by and among Federated Department Stores, Inc., a Delaware corporation (“FDS”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), Prime II Receivables Corporation, a Delaware corporation (“Prime II”), Macy’s Department Stores, Inc., an Ohio corporation and a wholly-owned subsidiary of FDS (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation and a wholly-owned subsidiary of FDS (“Bloomingdale’s”), and Citibank, N.A., a national banking association (the “Purchaser”).

WHEREAS, FDS, FDS Bank, Prime II and Purchaser are parties to that certain Purchase, Sale and Servicing Transfer Agreement dated as of June 1, 2005, as amended by the letter agreement (the “First Amendment”) dated August 22, 2005 (the “Purchase Agreement”);

WHEREAS, the parties hereto have agreed that Macy’s and Bloomingdale’s shall be parties to the Purchase Agreement and to make certain other changes to the Purchase Agreement as set forth herein; and

WHEREAS, the parties hereto desire to amend the Purchase Agreement in accordance with Section 13.4 of the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Amendment have the meanings assigned to them in the Purchase Agreement.

2. Amendment of Section 1.1.

(a) The definition of “Charged Off Accounts” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*Charged Off Accounts*” means, collectively, all Credit Card Accounts that (a) would constitute FDS Accounts, but for clause (iii) of the definition of FDS Accounts, (b) would constitute GE/Macy’s Accounts but for clause (iii) of the definition of GE/Macy’s Accounts, and (c) would constitute May Accounts but for clause (ii) of the definition of May Accounts.

(b) The definition of “Credit Card Account” in Section 1.1 of the Purchase Agreement is hereby amended by adding the words “or an Employee Account” immediately after the words “which is recorded as an Account” and immediately before the words “on the computer system”.

(c) The following definition is hereby added to Section 1.1 of the Purchase Agreement immediately before the defined term “Employees”:

“*Employee Accounts*” has the meaning set forth in the Program Agreement.

(d) The definition of “FDS Account” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*FDS Account*” means any Credit Card Account that exists and is owned by FDS or one of its Subsidiaries as of the First Cut-Off Time, other than (i) any GE/Macy’s Account or any May Account, (ii) any Employee Account and (iii) any Credit Card Account that, as of the First Cut-Off Time, has been (or should have been) charged off in accordance with the Sellers’ standard policies and procedures as in effect on the date of this Agreement.

(e) Clause (2) of the definition of “FDS Assets” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such clause in its entirety with the following:

(2) as of the First Cut-Off Time, the Gross Receivables (other than Prime Securitization Receivables) on the FDS Accounts and the Employee Accounts that but for clause (ii) of the definition of FDS Account would be FDS Accounts;

(f) The definition of “First Cut-Off Time” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*First Cut-Off Time*” means the close of business of the Sellers on the date that is one day prior to the First Closing Date. At least two Business Days prior to the First Closing Date, the parties hereto shall agree upon the time zone cut-offs and systemic cut-off procedures applicable to the First Cut-Off Time.

(g) The definition of “GE/Macy’s Account” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*GE/Macy’s Account*” means a Credit Card Account owned by GE Bank or one of its Affiliates as of the Second Cut-Off Time and governed by the GE/Macy’s Program Agreement that exists as of the Second Cut-Off Time, other than (i) any May Account, (ii) any Employee Account and (iii) any Credit Card Account that, as of the Second Cut-Off Time,

has been (or should have been) charged off in accordance with the standard policies and procedures of GE Bank as in effect as of the date of this Agreement.

(h) Clause (2) of the definition of “GE/Macy’s Assets” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such clause in its entirety with the following:

(2) as of the Second Cut-Off Time, the Gross Receivables on the GE/Macy’s Accounts and the Employee Accounts that but for clause (ii) of the definition of GE/Macy’s Account would be GE/Macy’s Accounts;

(i) The definition of “Gross Receivables” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*Gross Receivables*” means amounts owing (net of credit balances) to the Sellers from Cardholders with respect to Accounts and Employee Accounts (in each case, including outstanding loans, cash advances, balance consolidation receivables and other extensions of credit, accrued finance charges and late charges, whether or not posted, and any other accrued fees, charges and interest assessed on such Accounts and Employee Accounts, whether or not posted).

(j) The definition of “May Account” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“*May Account*” means a Credit Card Account owned by FDS or a Subsidiary of FDS prior to the Third Closing and associated with a retail division of May Co. as conducted as of the closing of May Merger (or a successor to such business as conducted by FDS and its Subsidiaries following the May Merger) that exists as of the Third Cut-Off Time, other than (i) any Employee Account and (ii) any Credit Card Account that, as of the Third Cut-Off Time, has been (or should have been) charged off in accordance with May Bank’s or the Sellers’ standard policies and procedures as in effect on the date of this Agreement.

(k) Clause (2) of the definition of “May Assets” in Section 1.1 of the Purchase Agreement is hereby amended by replacing such clause in its entirety with the following:

(2) as of the Third Cut-Off Time, the Gross Receivables on the May Accounts and the Employee Accounts that but for clause (i) of the definition of May Account would be May Accounts;

3. Amendment to Section 2.1. Section 2.1 of the Purchase Agreement is hereby amended by replacing such Section in its entirety with the following:

On the terms and subject to the conditions of this Agreement, at the First Closing and effective from and after the First Closing Date, the Sellers shall sell, convey and assign (or cause their Subsidiaries to sell, convey and assign) to the Purchaser, or in

the case of the Prime Stock, to an Affiliate of the Purchaser, free and clear of all Liens, except Permissible Liens, and the Purchaser or an Affiliate of the Purchaser shall purchase, the FDS Assets and the Prime Stock. Immediately following receipt of the FDS Assets, the Purchaser shall transfer, contribute or otherwise assign to CEBA Bank the FDS Assets other than those assets described in clauses (2) and (8) of the definition of FDS Assets and clause (13) of such definition to the extent relating principally to the assets listed in clauses (2) and (8) of such definition.

4. Amendment to Section 2.4. Section 2.4(a) of the Purchase Agreement is hereby amended by replacing such Section in its entirety with the following:

(a) The closing (the “*First Closing*”) of the purchase and sale of the FDS Assets and the Prime Stock and the assumption of the FDS Liabilities hereunder (collectively, the “*First Purchase and Assumption*”) shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on October 24, 2005 or at such other date or location as the parties hereto jointly designate in writing (the “*First Closing Date*”).

5. Amendment of Section 5.1(l). Clauses (1) and (2) of Section 5.1(l) of the Purchase Agreement are hereby amended by replacing such clauses in their entirety as follows:

(1) FDS Bank, Prime or Prime II is the sole owner of and has good and marketable title to (X) the FDS Accounts, (Y) the Gross Receivables on the FDS Accounts and the Employee Accounts that but for clause (ii) of the definition of FDS Accounts would be FDS Accounts, and (Z) the Prime Securitization Assets (subject in each case to the rights, claims and interests arising under the Securitization Documents). Upon the First Closing, subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, all right, title and interest in and to (X) the FDS Accounts, (Y) the Gross Receivables on the FDS Accounts and the Employee Accounts that but for clause (ii) of the definition of FDS Accounts would be FDS Accounts, and (Z) the Prime Securitization Assets shall vest or be vested in the Purchaser free and clear of all Liens other than Permissible Liens (and subject in each case to the rights, claims and interests arising under the Securitization Documents).

(2) As of the Second Closing, FDS Bank shall be the sole owner of and have good and marketable title to (Y) the GE/Macy’s Accounts and (Z) the Gross Receivables on the GE/Macy’s Accounts and the Employee Accounts that but for clause (ii) of the definition of GE/Macy’s Accounts would be GE/Macy’s Accounts. This Agreement shall, following the Second Closing Date, and subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, vest in the Purchaser all right, title and interest in and to (Y) the GE/Macy’s Accounts and (Z) the Gross Receivables on the GE/Macy’s Accounts and the Employee Accounts that but for clause (ii) of the definition of GE/Macy’s Accounts would be GE/Macy’s Accounts, free and clear of all Liens other than Permissible Liens.

6. Amendment of Section 6.4(g). Section 6.4(g) of the Purchase Agreement is hereby amended by replacing such Section in its entirety as follows:

(g) The parties agree that if so requested by FDS not later than the earlier to occur of (i) fifteen (15) days prior to the First Closing Date and (ii) the date on which the Purchaser has received all Requisite Regulatory Approvals required to be obtained by it, the parties will negotiate in good faith with respect to such mutually acceptable changes to the terms of this Agreement and the Program Agreement as FDS may reasonably request in order to maintain the status of FDS Bank as a savings association in good standing with the Office of Thrift Supervision, including without limitation amending such agreements to provide that some or all of the Employee Accounts shall be retained following the First Closing at FDS Bank; *provided, however*, that, in the event FDS Bank is liquidated or voluntarily dissolved, the parties agree that the Employee Accounts will be transferred to CEBA Bank prior to such liquidation or dissolution; *provided, further however*, that no such changes shall be made to the extent they would affect the ability of the Purchaser and the CEBA Bank to file a consolidated federal income Tax Return following the First Closing Date in accordance with Section 6.14 (d).

7. Amendment of Section 6.17. Section 6.17 of the Purchase Agreement is hereby amended by replacing clause (ii) of the second sentence of such Section in its entirety with the following:

(ii) prepare all daily and monthly reports required in accordance with the Prime Pooling and Servicing Agreement (it being understood that the annual servicer's certificate and the annual independent accounts' report otherwise required to be delivered under the Prime Pooling and Servicing Agreement shall be waived by Bank following repayment of the investor certificates issued by Prime Master Trust in full)

8. Amendment to Section 7.1(i). Section 7.1(i) of the Purchase Agreement is hereby amended by replacing the words "Participating Member in the VISA Partnership Program" with the words "member of the Cardholder Association".

9. Amendment to Section 7.2(c). Section 7.2(c) of the Purchase Agreement is hereby amended by replacing the words "each Sellers' behalf by an executive officer of each Seller" with "FDS's behalf by an executive officer of FDS".

10. Amendment of Schedule 1.1(a). Schedule 1.1(a) of the Purchase Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(a) attached hereto.

11. Amendment of Schedule 1.1(b)(1). Schedule 1.1(b)(1) of the Purchase Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(b)(1) attached hereto.

12. Amendment of Schedule 1.1(b)(2). Schedule 1.1(b)(2) of the Purchase Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(b)(2) attached hereto.

13. Amendment of Schedule 1.1(b)(3). Schedule 1.1(b)(3) of the Purchase Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(b)(3) attached hereto.

14. Amendment of Schedule 5.1(c). Schedule 5.1(c) of the Purchase Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 5.1(c) attached hereto.

15. Macy's and Bloomingdales. The parties hereto hereby agree that Macy's and Bloomingdale's shall be parties to the Purchase Agreement.

16. Capacity; Authorization; Validity.

(a) FDS hereby represents and warrants to Bank as of the date hereof:

(i) Each FDS Company has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements to be executed and delivered by such FDS Company pursuant hereto.

(ii) The execution and delivery by the FDS Companies of this Amendment and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the FDS Companies.

(iii) This Amendment (A) has been duly executed and delivered by the FDS Companies, (B) constitutes the valid and legally binding obligation of the FDS Companies, and (C) is enforceable against the FDS Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the Sellers as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

17. Effect of Amendment. This Amendment is hereby incorporated into and made a part of the Purchase Agreement. Except as amended by this Amendment, all terms and provisions of the Purchase Agreement shall continue and remain in full force and effect and binding upon the parties thereto.

18. Binding Effect. This Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

19. Governing Law. This Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

20. Counterparts/Facsimiles. This Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed as of the date first above written.

CITIBANK, N.A.

By: /s/ Ray Quinlan

Name: Ray Quinlan

Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Executive Vice President and Chief Financial Officer

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

PRIME II RECEIVABLES CORPORATION

By: /s/ Susan P. Storer

Name: Susan P. Storer

Title: President

MACY'S DEPARTMENT STORES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

BLOOMINGDALES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

Schedule 1.1(a)

Assigned Contracts

- Visa-Branded Federated Department Stores Co-Branded Card Program Agreement dated October 22, 2002 between FDS Bank (“FDSB”) and Visa U.S.A. Inc. (“Visa”)
- Visa Incentive Network Issuer Participation Agreement between FDSB and Visa effective as of May 2, 2005.
- Debt Cancellation Joint Marketing and Administrative Services Agreement between AON Enterprise Insurance Services, Inc., FACS Group, Inc. (“FACS”), and FDSB dated _____, 2001, as amended.¹
- Assurant contracts:
 - FACS and American Bankers Insurance Accidental Death Program Agreement effective February 1, 1998 between FACS and American Bankers Insurance Group. [run off]
 - Insurance Service Agreement effective July 1, 2002 among Fortis Benefits Insurance, FACS, iTrust Insurance Agency, Inc. (“iTrust”), and FACS Insurance Agency, Inc. (“FACS Insurance Agency”).
 - Subscription Agreement to National Bank of Commerce, Trustee, from Federated Department Stores, Inc., executed by Federated Department Stores, Inc. on May 26, 1998, by National Bank of Commerce, Trustee on June 16, 1998, and by American Bankers Life Assurance Company of Florida and American Bankers Insurance Company of Florida.
- Marketing Agreement dated as of February _____, 2002 between FACS and FDSB and Trilegiant Corporation, as amended.
- Revenue Enhancements Products Agreement between FACS, iTrust, and National Union Fire Insurance Company of Pittsburgh, PA dated as of October 1, 2002.
- Joint Marketing Agreement dated as of June 23, 2001 between FACS and FDSB and Progeny Marketing Innovations LLC (f/k/a FISI*Madison L.L.C.), as amended.
- Consumer Credit Information and Credit Card Fraud Alert Registry Service Agreement between CreditComm Service LLC and FACS dated April 5, 1999. [run off]

¹ Contract assigned in part (by agreement of the parties hereto) pursuant to the Second Amendment to the Debt Cancellation Joint Marketing and Administrative Services Agreement between FACS Group, Inc., FDS Bank, AON Integramark, a division of Affinity Insurance Services, Inc., and Department Stores National Bank.

-
- Joint Marketing Agreement between FACS and Health Benefit Service Incorporated dated September 1, 2002. [run off]
 - Joint Marketing Agreement between FACS, FDSB, iTrust, and Aegon Direct Marketing Services, Inc. dated January 1, 2002. [run off]
 - Promotion and Marketing Agreement between Signature Agency, Inc. and FACS dated December 11, 2001. [run off]
 - Agreement between Financial and Credit Services Group (sic) and Montgomery Ward Enterprises, Inc. and The Signature Life Insurance Company of America [run off]
 - Mailing Agreement between The FACS Group (Rich's Department Stores) (sic) and Credit Card Sentinel (CCS) dated August 3, 1990. [run off]
 - Agreement between FACS, iTrust and Union Fidelity Life Insurance Company dated March 1, 2002. [run off]
 - Service Agreement between Beneficial Standard Life Insurance Company ("Beneficial") and Jordan Marsh Company effective September 1, 1970 and dated April 2, 1970, as amended. [run off]
 - Insurance Service Agreement between Beneficial and Shillito Rikes (a division of Federated Department Stores, Inc.) effective August 30, 1985, as assigned to Lazarus Agency Group, Inc. [run off]
 - Service Agreement between Allied Stores Corporation and Beneficial effective October 1, 1977. [run off]
 - Marketing Agreement between American Leisure Industries, Inc. and Goldsmiths Department Store (sic) dated October 6, 1987 as amended. [run off]
 - Service Agreement between Rich's, a division of Federated Department Stores, Inc., Bankers Security Life Insurance Society and Coverdell & Company, Inc. dated May 1, 1986. [run off]
 - Agreement between Rich's, a division of Federated Department Stores, Inc., and Coverdell & Company, Inc. dated October 15, 1987. [run off]
 - Insurance Marketing and Administrative Agreement between Federated/Allied Credit Services (sic) and Coverdell & Company, Inc. dated October 10, 1990. [run off]
 - Agreement between FACS and Coverdell & Company, Inc. dated June 20, 1994 regarding service fee adjustment on previously offered services. [run off]

-
- 20 1-page Agreements between General Vitamin Corporation and various divisions of Federated Department Stores dated 1997-1999. [run off]
 - Insurance Producer Agreement between FACS, iTrust, FACS Insurance Agency, Balboa Insurance Company, and Meritplan Insurance Company

Schedule 1.1(b)(1)

First Closing Statement

FDS Purchase Price

1. Visa Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

2. Private Label Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

(c) [redacted]

Plus

(d) [redacted]

Minus

(e) [redacted]

Equals

3. [redacted]

Plus

4. [redacted]

Schedule 1.1(b)(2)

Second Closing Statement

GE/Macy's Purchase Price

1. Visa Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

2. Private Label Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

(c) [redacted]

Equals

3. [redacted]

Plus

4. [redacted]

Schedule 1.1(b)(3)

Third Closing Statement

May Purchase Price

1. Visa Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

2. Private Label Receivables [redacted]

(a) [redacted]

Plus

(b) [redacted]

Plus

(c) [redacted]

Equals

3. [redacted]

Plus

4. [redacted]

Schedule 5.1(c)

Governmental and Third Party Consents

Requisite Regulatory Approvals

- HSR, if applicable.
- Bank Merger Act with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.
- OTS approval with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.
- OCC approval and OTS approval with respect to the purchase of the CEBA Equity Interests.

Third Party Consents

- Services Agreement for Custom Scoring Models between Experian Information Solutions, Inc. and FACS dated June 7, 2004, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- FACS GROUP, INC. AGREEMENT between FACS and Fair, Isaac and Company, Incorporated ("FICO") signed June 26 and June 30, 1998 (prop behavior scorecard). [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- FINGERHUT CORPORATION TRIAD SOFTWARE SYSTEM LICENSE AGREEMENT between Fingerhut Corporation ("Fingerhut") and FICO signed August 7 and 13, 1997, as assigned by Fingerhut to FACS in Assignment and Assumption Agreement between Fingerhut, FACS, and FICO dated May 24, 2000, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- Assurant contracts:
FACS and American Bankers Insurance Accidental Death Program Agreement effective February 1, 1998 between FACS and American Bankers Insurance Group. [run off]
Insurance Service Agreement effective July 1, 2002 among Fortis Benefits Insurance, FACS, iTrust Insurance Agency, Inc. ("iTrust"), and FACS Insurance Agency, Inc. ("FACS Insurance Agency").

-
- Marketing Agreement dated as of February _____, 2002 between FACS and FDSB and Trilegiant Corporation, as amended.
 - Revenue Enhancements Products Agreement between FACS, iTrust, and National Union Fire Insurance Company of Pittsburgh, PA dated as of October 1, 2002.
 - Joint Marketing Agreement dated June __, 2001 between FACS and FDSB and Progeny Marketing Innovations LLC (f/k/a FISI*Madison L.L.C.), as amended
 - Consumer Credit Information and Credit Card Fraud Alert Registry Service Agreement between CreditComm Service LLC and FACS dated April 5, 1999. [run off]
 - Perpetual License Agreement, by and between Group 1 Software, Inc. and Federated Systems Group, Inc. dated March 30, 1990 and Addenda #2-11
 - Software License Agreement by and between Vanguard Integrity Professionals and Federated Systems Group, Inc. dated September 29, 1997
 - License Agreement, by and between The Systems Center, Inc. and The Sabre Group, dated June 28, 1988
 - Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated October 15, 1987
 - Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated August 28, 1989
 - Proprietary Software License Agreement, by and between Advanced Software Technologies Company, Ltd. and The Sabre Group dated January 28, 1988
 - CPU License Agreement, by and between Levi, Ray & Shoup, Inc. and Federated Systems Group, Inc. dated March 11, 1998
 - Software License and Services Agreement, by and between LBSS, Inc. and Federated Systems Group, Inc. dated November 3, 2000
 - Permanent License Agreement for Proprietary Software Products and Maintenance, by and between Compuware Corporation and The Sabre Group, dated March 28, 1986
 - Enterprise Addendum, by and between Compuware Corporation and Federated Systems Group, Inc., dated August 31, 2001 and Enterprise Schedule No. 1
 - Order Form executed October 27, 1999, between Computer Associates International, Inc. and Federated Systems Group, Inc., with addenda and supplements.

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

**FOURTH AMENDMENT TO
PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT**

This FOURTH AMENDMENT TO PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT, dated as of June 1, 2005, (this “Amendment”) is made and entered into as of May 19, 2006, by and among Federated Department Stores, Inc., a Delaware corporation (“FDS”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), Federated Corporate Services, Inc., an Ohio corporation (as successor in interest to Prime II Receivables Corporation, a Delaware corporation) (“Prime II”), Macy’s Department Stores, Inc., an Ohio corporation and a wholly-owned subsidiary of FDS (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation and a wholly-owned subsidiary of FDS (“Bloomingdale’s”); and together with FDS, FDS Bank, Prime II and Macy’s, each, an “FDS Company” and collectively, the “FDS Companies”), and Citibank, N.A., a national banking association (the “Purchaser”).

WHEREAS, FDS, FDS Bank, Prime II and Purchaser are parties to that certain Purchase, Sale and Servicing Transfer Agreement dated as of June 1, 2005, as amended by the letter agreement (the “First Amendment”) dated August 22, 2005 and further amended by the Second Amendment to the Purchase, Sale and Servicing Transfer Agreement (the “Second Amendment”) dated as of October 24, 2005 and the Third Amendment to the Purchase, Sale and Servicing Transfer Agreement (the “Third Amendment”) dated as of May 1, 2006 (the “Purchase Agreement”);

WHEREAS, the parties hereto desire to permit the sale pursuant to the Purchase Agreement of those May Assets and May Liabilities relating to May Accounts that have been converted from May Co. credit Systems to FACS Group, Inc. credit Systems prior to the Third Closing Date; and

WHEREAS, the parties hereto desire to amend the Purchase Agreement in accordance with Section 13.4 of the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Amendment have the meanings assigned to them in the Purchase Agreement.

2. Amendment of Section 1.1.

(a) The definition of “May Accounts” is hereby amended by replacing the definition in its entirety with the following:

“*May Account*” means a Credit Card Account owned by FDS or a Subsidiary of FDS prior to the Third Closing and associated with a retail division of May Co. as conducted as of the closing of May Merger (or a successor to such business as conducted by FDS and its Subsidiaries following the May Merger) that exists as of the Third Cut-Off Time, *other than* (i) any Employee Account, (ii) any Credit Card Account that, as of the Third Cut-Off Time, has been (or should have been) charged off in accordance with May Bank’s or the Sellers’ standard policies and procedures as in effect on the date of this Agreement or (iii) any Commercial Account owned by FDS Bank or one of its Affiliates.”

(b) The definition of “Second Cut-Off Time” is hereby amended by replacing the word “Saturday” with the word “Sunday”.

(c) The definition of “Sellers” is hereby amended by replacing the definition in its entirety with the following:

“*Sellers*” means the collective reference to FDS, FDS Bank and Prime II; *provided* that with respect to the (i) Second Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith) the “Sellers” shall mean FDS and FDS Bank, (ii) the CM Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith), the “Sellers” shall mean FDS, FDS Bank, Filene’s Finance, Inc., Hecht’s Finance, Inc. and Famous-Barr Finance, Inc. and (iii) the Third Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith), the “Sellers” shall mean FDS, FDS Bank, Marshall Field’s Finance, Inc., Robinsons-May Finance, Inc. and Foley’s Finance, Inc.

(d) The definition of “Third Cut-Off Time” is hereby amended by replacing the word “Saturday” with the word “Sunday”.

3. Amendment of Section 4.4(a). Section 4.4(a) of the Purchase Agreement is hereby amended by replacing the words “of the Fiscal Month after the Fiscal Month” with the words “of the calendar week after the calendar week”.

4. Amendment of Article XIII. Article XIII of the Purchase Agreement is hereby amended by adding the following Section 13.13 at the end of Article XIII:

“Section 13.13. *Converted May Accounts.* The parties hereto agree to the terms and conditions set forth in Schedule 13.13.”.

5. New Schedule 13.13. The Purchase Agreement is hereby amended by adding a new Schedule 13.13 attached hereto.

6. Capacity; Authorization; Validity.

(a) FDS hereby represents and warrants to the Purchaser as of the date hereof:

(i) Each FDS Company has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements to be executed and delivered by such FDS Company pursuant hereto.

(ii) The execution and delivery by the FDS Companies of this Amendment and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the FDS Companies.

(iii) This Amendment (A) has been duly executed and delivered by the FDS Companies, (B) constitutes the valid and legally binding obligation of the FDS Companies, and (C) is enforceable against the FDS Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) The Purchaser hereby represents and warrants to the Sellers as of the date hereof:

(i) The Purchaser has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by the Purchaser pursuant hereto.

(ii) The execution and delivery by the Purchaser of this Amendment and all documents, instruments and agreements executed and delivered by the Purchaser pursuant hereto, and the consummation by the Purchaser of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of the Purchaser.

(iii) This Amendment (A) has been duly executed and delivered by the Purchaser, (B) constitutes the valid and legally binding obligation of the Purchaser and (C) is enforceable against the Purchaser in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

7. Effect of Amendment. This Amendment is hereby incorporated into and made a part of the Purchase Agreement. Except as amended by this Amendment, all terms and provisions of the Purchase Agreement shall continue and remain in full force and effect and binding upon the parties thereto.

8. Binding Effect. This Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

9. Governing Law. This Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

10. Counterparts/Facsimiles. This Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed as of the date first above written.

CITIBANK, N.A.

By: /s/ Steven J. Freiberg

Name: Steven J. Freiberg

Title:

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel and Secretary

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

FEDERATED CORPORATE SERVICES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

MACY'S DEPARTMENT STORES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

BLOOMINGDALES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

Schedule 13.13

Converted May Accounts

Notwithstanding anything to contrary contained in the Purchase Agreement:

1. The closing (the “CM Closing”) of the purchase and sale of the Converted May Assets (as defined in Exhibit A to this Schedule 13.13) and the assumption of the Converted May Liabilities (as defined in Exhibit A to this Schedule 13.13) (the “CM Purchase and Assumption”) shall take place on [date] (the “CM Closing Date”). The closing of the purchase and sale of the other May Assets and the other May Liabilities shall take place in accordance with the terms and conditions of the Purchase Agreement applicable to the May Assets and the May Liabilities and references to such terms (and to any assets and liabilities comprising any portion of the May Assets and the May Liabilities) in the Purchase Agreement shall be deemed to exclude the Converted May Assets acquired and the Converted May Liabilities assumed at the CM Closing.

2. For the purposes of the CM Purchase and Assumption, all provisions of the Purchase Agreement referring to the Third Purchase and Assumption, the May Assets and the May Liabilities shall apply *mutatis mutandis* to the CM Purchase and Assumption, the Converted May Assets and the Converted May Liabilities, respectively, except all references to:

- (a) The “Estimated May Purchase Price” shall be deemed to be references to the “Estimated CM Purchase Price” (as defined on Exhibit A to this Schedule 13.13);
- (b) the “Estimated Third Closing Statement” shall be deemed to be references to the “Estimated CM Closing Statement” (as defined on Exhibit A to this Schedule 13.13);
- (c) the “Final Third Closing Statement” shall be deemed to be references to the “Final CM Closing Statement” (as defined on Exhibit A to this Schedule 13.13);
- (d) the “May Accounts” shall be deemed to be references to the “CM Accounts” (as defined on Exhibit A to this Schedule 13.13);
- (e) the “May Account Assets” shall be deemed to be references to the “CM Account Assets” (as defined below);
- (f) the “May Assets” shall be deemed to be references to the “Converted May Assets”;
- (g) the “May Cardholder List” shall be deemed to be references to the “CM Cardholder List” (as defined on Exhibit A to this Schedule 13.13);

-
- (h) the “May Liabilities” shall be deemed to be references to the “Converted May Liabilities”;
 - (i) the “May Purchase Price” shall be deemed to be references to the “CM Purchase Price” (as defined on Exhibit A to this Schedule 13.13);
 - (j) the “Minimum May Allocation” shall be deemed to be references to the “Minimum CM Allocation” (as defined below);
 - (k) the “Third Closing” shall be deemed to be references to the “CM Closing”;
 - (l) the “Third Closing Allocation” shall be deemed to be references to the “CM Closing Allocation” (as defined below);
 - (m) the “Third Closing Date” shall be deemed to be references to the “CM Closing Date”;
 - (n) the “Third Cut-Off Time” shall be deemed to be references to the “CM Cut-Off Time” (as defined on Exhibit A to this Schedule 13.13);
 - (o) the “Third Instrument of Assignment and Assumption” shall be deemed to be references to the “CM Instrument of Assignment and Assumption” (as defined on Exhibit A to this Schedule 13.13); and
 - (p) the “Third Purchase and Assumption” shall be deemed to be references to the “CM Purchase and Assumption” (as defined above).

All provisions of the Purchase Agreement referring to the Estimated May Purchase Price, the Estimated Third Closing Statement, the May Cardholder List, the May Purchase Price, the May Assets, the May Liabilities and the May Accounts shall continue to apply thereto as set forth in the Purchase Agreement, but shall be deemed to exclude the Converted May Assets and the Converted May Liabilities (and any assets and liabilities comprising any portion of the Converted May Assets and the Converted May Liabilities).

3. The Purchase Agreement is hereby amended by replacing Section 11.6(e) thereof in its entirety with the following:

Following the CM Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the CM Purchase Price, the Converted May Liabilities, to the extent required, and any other relevant amount among the Converted May Assets (the “*CM Closing Allocation*”). The CM Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the “*Minimum CM Allocation*”) to items (1), (4), (5), (6) and (7) of the definition of “Converted May Assets” (such assets, collectively, the “*CM Account Assets*”):

[redacted].

If the parties cannot agree on the CM Closing Allocation within ninety (90) days after the CM Closing Date, the CM Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); *provided* that [redacted]. If the CM Purchase Price or the Converted May Liabilities are adjusted, the parties shall revise the CM Closing Allocation on a basis consistent with this Section 11.6(e) in order to reflect such adjustment.

Following the Third Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the May Purchase Price, the May Liabilities, to the extent required, and any other relevant amount among the May Assets (the “*Third Closing Allocation*”). The Third Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the “*Minimum May Allocation*”) to items (1), (4), (5), (6) and (7) of the definition of “May Assets” (such assets, collectively, the “*May Account Assets*”):

[redacted].

If the parties cannot agree on the Third Closing Allocation within ninety (90) days after the Third Closing Date, the Third Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); *provided* that [redacted]. Notwithstanding anything to the contrary contained herein, the Purchaser and the Sellers shall use the Third Closing Allocation, as finally determined pursuant to this Section 11.6(e), for all Tax purposes, including the filing of IRS Form 8594 and all other Tax Returns. If the May Purchase Price or the May Liabilities are adjusted, the parties shall revise the Third Closing Allocation on a basis consistent with this Section 11.6(e) in order to reflect such adjustment.

4. [redacted].

[End of Schedule]

Exhibit A
to Schedule 13.13

Definitions

“**CM Account**” means a Credit Card Account owned by FDS or a Subsidiary of FDS prior to the CM Closing and associated with a retail division of May Co. as conducted as of the closing of May Merger (or a successor to such business as conducted by FDS and its Subsidiaries following the May Merger) that (a) exists as of the CM Cut-Off Time and (b) has been converted from May Co. credit Systems to FACS Group, Inc. credit Systems, *other than* (i) any Employee Account, (ii) any Credit Card Account that, as of the CM Cut-Off Time, has been (or should have been) charged off in accordance with May Bank’s or the Sellers’ standard policies and procedures as in effect on the date of the Purchase Agreement, (iii) any Credit Card Account bearing a Card Association designation (it being understood that the Credit Card Accounts excluded pursuant to this clause (iii) do not include private label Credit Card Accounts issued pursuant to the same Credit Card) and (iv) any Commercial Account owned by FDS Bank or one of its Affiliates. The CM Accounts are listed on Exhibit B to Schedule 13.13.

“**CM Cardholder List**” means a list, as of the CM Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the CM Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

“**CM Cut-Off Time**” means 11:59 P.M. Eastern time on the Sunday immediately preceding the CM Closing Date.

“**CM Instrument of Assignment and Assumption**” means the Instrument of Assignment and Assumption in the form attached as Annex D to the Purchase Agreement, to be entered into at the CM Closing.

“**CM Purchase Price**” means the purchase price payable in accordance with the Final CM Closing Statement, as finally determined in accordance with Section 3.3 of the Purchase Agreement.

“**Converted May Assets**” means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the CM Accounts;
- (2) the Gross Receivables on the CM Accounts as of the CM Cut-Off Time;
- (3) all Interchange Fees relating to the CM Accounts and payable with respect to transactions occurring after the CM Cut-Off Time;

-
- (4) the applications for CM Accounts pending and solicitations for CM Accounts outstanding (if any);
 - (5) the Account Agreements for the CM Accounts;
 - (6) the CM Cardholder List;
 - (7) the portion of the Master File, as of the CM Cut-Off Time, applicable to the CM Accounts;
 - (8) the Books and Records that relate to the CM Accounts (if any);
 - (9) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in connection with the CM Accounts, including plastics, applications and periodic statements; and
 - (10) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (9) above, in each case, arising upon or after the CM Closing.

“Converted May Liabilities” means the following Liabilities of the Sellers:

- (1) all Liabilities for Taxes relating to the Converted May Assets for any period (or portion thereof, in the case of a Straddle Period) beginning after the CM Closing Date;
- (2) from and after the CM Closing, all obligations to CM Account Cardholders in their capacity as such or to perform under Account Agreements for the CM Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers or its Affiliates prior to the CM Closing);
- (3) all fees, operating assessments and other charges relating to the CM Accounts that are incurred or accrue on or after the CM Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in the Purchase Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by the Purchase Agreement and the Ancillary Agreements);
- (4) all obligations of the Sellers to perform from and after the CM Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the CM Accounts; and
- (5) all Liabilities to the extent related to, associated with or arising out of the Converted May Assets or the operation of the Business by the Purchaser or its Affiliates with respect to the Converted May Assets, in each case from and after the CM Closing.

“Estimated CM Closing Statement” means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(3) to the Purchase Agreement, or such other Schedule as may be prepared pursuant to Section 6.16 of the Purchase Agreement, in each case showing in reasonable detail the calculation of the Estimated CM Purchase Price, based on data available as of the fifth Business Day preceding the CM Cut-Off Time; provided that [redacted].

“Estimated CM Purchase Price” means the amount payable by the Purchaser on the CM Closing Date in accordance with the Estimated CM Closing Statement or such other amount payable pursuant to Section 6.16 of the Purchase Agreement.

“Final CM Closing Statement” means a statement prepared by FDS, substantially in the form of Schedule 1.1(b)(3) to the Purchase Agreement, or such other statement as may be prepared pursuant to Section 6.16 of the Purchase Agreement, in each case, showing in reasonable detail FDS’s calculation of the CM Purchase Price, based on the data available as of the CM Cut-Off Time; provided that [redacted].

Exhibit B
to Schedule 13.13

CM Accounts

The accounts associated with the following divisions of May Department Stores:

Filene's
Strawbridge's
Hecht's
Kaufmann's
L.S. Ayres
The Jones Store
Famous Barr

For the avoidance of doubt, the CM Accounts shall not include the accounts associated with the following divisions of May Department Stores:

Robinson's-May
Meier & Frank
Foley's
Marshall Fields
Lord & Taylor
David's Bridal

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

CREDIT CARD PROGRAM AGREEMENT

by and among

FEDERATED DEPARTMENT STORES, INC.,

FDS BANK,

FACS GROUP, INC.,

and

CITIBANK, N.A.

TABLE OF CONTENTS

ARTICLE I DEFINITIONS	1
1.1 Generally	1
1.2 Miscellaneous	17
ARTICLE II ESTABLISHMENT OF THE PROGRAM	17
2.1 Credit Program	17
2.2 Exclusivity	17
2.3 Retail Portfolio Acquisitions	19
2.4 Retail Portfolio Dispositions	21
2.5 Partner Exclusivity	21
2.6 General Electric Capital Corporation / Macy's Credit Card Program	22
ARTICLE III PROGRAM MANAGEMENT AND ADMINISTRATION	22
3.1 Program Objectives	22
3.2 Operating Committee	22
3.3 Executive Committee	26
3.4 Program Relationship Managers; Partner Program Team	26
ARTICLE IV PROGRAM OPERATIONS	27
4.1 Operation of the Program	27
4.2 Certain Responsibilities of the FDS Companies	28
4.3 Certain Responsibilities of Bank	29
4.4 Ownership of Accounts	30
4.5 Branding of Accounts/Credit Cards/Credit Card Documentation/Solicitation Materials	30
4.6 Underwriting and Risk Management	31
4.7 Cardholder Terms	32
4.8 Value Propositions	32
4.9 Participation in Reversals	33
4.10 Sales Taxes	35
ARTICLE V MARKETING	36
5.1 Promotion of Program	36
5.2 Marketing Commitment	36
5.3 Communications with Cardholders	37
5.4 Additional Marketing Support	38
5.5 Ancillary Products	38
5.6 Marketing Plan	39
ARTICLE VI CARDHOLDER INFORMATION	39
6.1 Customer Information	39
6.2 Cardholder Data	40
6.3 FDS Shopper Data; FDS Prospect List	44

ARTICLE VII OPERATING STANDARDS	45
7.1 Reports	45
7.2 Servicing; Interim Servicing; Transition of Services at the Election of the FDS Companies	46
7.3 Service Level Standards	46
7.4 Credit Systems	48
7.5 Systems Interface; Technical Support	49
ARTICLE VIII MERCHANT SERVICES	50
8.1 Transmittal and Authorization of FDS Charge Transaction Data	50
8.2 POS Terminals	50
8.3 In-Store Payments	50
8.4 Settlement Procedures	51
8.5 Bank's Right to Charge Back	52
8.6 No Processing Fees	52
ARTICLE IX PROGRAM ECONOMICS	53
9.1 Bank's Responsibility for Program Operation	53
9.2 Settlement Statements	53
9.3 FDS Compensation	53
9.4 Budgeting	54
ARTICLE X INTELLECTUAL PROPERTY	55
10.1 The FDS Licensed Marks	55
10.2 Bank Licensed Marks	57
10.3 Intellectual Property	58
ARTICLE XI REPRESENTATIONS, WARRANTIES AND COVENANTS	59
11.1 General Representations and Warranties of FDS	59
11.2 General Representations and Warranties of Bank	61
11.3 General Covenants of the FDS Companies	62
11.4 General Covenants of Bank	63
ARTICLE XII ACCESS, AUDIT AND DISPUTE RESOLUTION	64
12.1 Access Rights	64
12.2 Audit Rights	64
12.3 Dispute Resolution	65
ARTICLE XIII CONFIDENTIALITY	69
13.1 General Confidentiality	69
13.2 Use and Disclosure of Confidential Information	70
13.3 Unauthorized Use or Disclosure of Confidential Information	70
13.4 Return or Destruction of Confidential Information	70
ARTICLE XIV EVENTS OF DEFAULT; RIGHTS AND REMEDIES	71
14.1 Events of Default	71
14.2 Defaults by Bank	72

14.3	Defaults by the FDS Companies	72
14.4	Remedies for Events of Default	73
ARTICLE XV TERM/TERMINATION		73
15.1	Term	73
15.2	Termination by the FDS Companies Prior to the End of the Initial Term or Renewal Term	73
15.3	Termination by Bank Prior to the End of the Initial Term or Renewal Term	74
15.4	Automatic Termination	74
ARTICLE XVI EFFECTS OF TERMINATION		74
16.1	General Effects	74
16.2	The FDS Companies' Option to Purchase the Program Assets	75
16.3	Dedicated Program Personnel	77
16.4	Rights of Bank if Purchase Option Not Exercised	77
ARTICLE XVII INDEMNIFICATION		78
17.1	FDS Indemnification of Bank	78
17.2	Bank Indemnification of the FDS Companies	79
17.3	Procedures	80
17.4	Notice and Additional Rights	81
ARTICLE XVIII MISCELLANEOUS		82
18.1	Securitization	82
18.2	Assignment	82
18.3	Sale or Transfer of Accounts	83
18.4	Subcontracting	83
18.5	Amendment	83
18.6	Non-Waiver	83
18.7	Severability	83
18.8	Waiver of Jury Trial and Venue	83
18.9	Governing Law; Compliance with Law	84
18.10	Specific Performance	84
18.11	Captions	84
18.12	Notices	84
18.13	Coordination of Consents and Approvals	85
18.14	Further Assurances	85
18.15	No Joint Venture	85
18.16	Press Releases	85
18.17	No Set-Off	86
18.18	Conflict of Interest	86
18.19	Third Parties	86
18.20	Force Majeure	86
18.21	Entire Agreement	86
18.22	Binding Effect	87
18.23	Counterparts/Facsimiles	87

18.24	Financial Statements	87
18.25	Survival	87

CREDIT CARD PROGRAM AGREEMENT

This Credit Card Program Agreement is made as of the 1st day of June, 2005, by and among Federated Department Stores, Inc., a Delaware corporation, ("FDS"), FDS Bank, a federally-chartered stock savings bank ("FDS Bank"), FACS Group, Inc., an Ohio corporation ("FACS"), and together with FDS and FDS Bank, the "FDS Companies", and Citibank, N.A., a national banking association ("Bank").

WITNESSETH:

WHEREAS, the FDS Companies, directly and through subsidiaries, are engaged in, among other activities, operating retail department stores and a Credit Card Business (as hereinafter defined);

WHEREAS, concurrently with the execution of this Agreement, FDS, FDS Bank and Bank are entering a purchase and sale agreement (the "Purchase Agreement"; unless otherwise defined herein, terms defined therein being used in this Agreement as so defined) pursuant to which Bank shall purchase the Credit Card Business, subject to the satisfaction of certain conditions, in the following transactions, as more fully set forth in the Purchase Agreement: (1) at the First Closing, Bank shall purchase the FDS Accounts and certain related assets and liabilities; (2) at the Second Closing, Bank shall purchase the GE/Macy's Accounts and certain related assets and liabilities; and (3) at the Third Closing, Bank shall purchase the May Accounts and certain related assets and liabilities;

WHEREAS, the FDS Companies have requested that Bank establish a program pursuant to which, from and after the Effective Date of this Agreement, Bank shall issue private label and co-branded credit cards to be serviced, marketed and promoted in accordance with the terms hereof;

WHEREAS, the parties hereto agree that the goodwill associated with the FDS Licensed Marks contemplated for use hereunder are of substantial value that is dependent upon the maintenance of high quality services and appropriate use of the trademarks pursuant to this Agreement; and

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

ARTICLE I

DEFINITIONS

1.1 Generally. The following terms shall have the following meanings when used in this Agreement:

"AAA" means the American Arbitration Association.

“Account” means any account under which a purchase, cash advance, convenience check or balance transfer transaction may be or has been made by or to a Person (or any Person authorized by such Person) pursuant to a Credit Card Agreement established pursuant to the terms of this Agreement or acquired pursuant to the Purchase Agreement. For the avoidance of doubt, the term Account shall include (i) the Purchased Accounts from their respective dates of purchase pursuant to the Purchase Agreement, and (ii) all Accounts established or reactivated from and after the Effective Date, including the Private Label Accounts, the General Purpose Accounts and the Employee Accounts.

“Account Documentation” means, with respect to an Account, any and all documentation arising from that Account, including Credit Card Documentation, checks or other forms of payment arising from that Account, notices to Cardholders, credit bureau reports (to the extent not prohibited from transfer by contract with the credit bureau), adverse action notices, change of terms notices, other notices, correspondence, memoranda, documents, stubs, instruments, certificates, agreements, magnetic tapes, disks, hard copy formats or other computer-readable data transmissions, any microfilm, electronic or other copy of any of the foregoing, and any other written, electronic or other records or materials of whatever form or nature, including tangible and intangible information, arising from any of the foregoing to the extent related to the Program; provided that Account Documentation shall not include FDS’s or any of its Affiliates’ register tapes, invoices, sales or shipping slips, delivery or other receipts or other indicia of the sale of FDS Goods and Services, or any reports, analyses or other documentation prepared by any of the FDS Companies or their Affiliates for use in the retail business operated by the FDS Companies and their Affiliates regardless of whether derived in whole or in part from the Account Documentation; and provided, further, that notwithstanding that certain information included in the Account Documentation might also constitute FDS Shopper Data, nothing contained in this definition shall limit FDS’s rights in and to the FDS Shopper Data as set forth in Section 6.3.

“Additional Marketing Commitment” means the obligation of Bank to pay the amounts set forth in Schedule 1.1(l) for the purposes specified by the Operating Committee.

“Additional Premium” means the collective reference to (i) the “Additional Premium” portion of the FDS Purchase Price, as defined on the Final First Closing Statement, as finally determined in accordance with Section 2.3 of the Purchase Agreement, (ii) the “Additional Premium” portion of the GE/Macy’s Purchase Price, as defined on the Final Second Closing Statement, as finally determined in accordance with Section 3.3 of the Purchase Agreement, and (iii) the “Additional Premium” portion of the May Purchase Price, as defined on the Final Third Closing Statement, as finally determined in accordance with Section 4.3 of the Purchase Agreement.

“Adjusted Fair Market Value” has the meaning set forth in Schedule 16.2(d)(i).

“Adverse Sales Development” means, with respect to any twelve (12) Fiscal Month period after the Benchmark Year (as defined below), (i) a decrease of thirty-three percent (33%) or more in the aggregate sales volume in the FDS Channels as compared to the immediately preceding twelve (12) Fiscal Month period or (ii) aggregate sales volume in the FDS Channels is less than sixty-six percent (66%) of the aggregate sales volume in the FDS Channels during the Benchmark Year; provided, however, that, to the

extent that Bank is servicing Program Assets related to any Sold Chain or Sold Area Stores pursuant to any agreement or arrangement with the purchaser thereof, the aggregate sales volume in the FDS Channels for any period referred to above shall include the aggregate sales volume at such Sold Chain or Sold Area Stores during the twelve (12) Fiscal Month period ending prior to the sale of such Sold Chain or Sold Area Store. For purposes hereof, "Benchmark Year" means the twelve (12) Fiscal Month period beginning with the Fiscal Month in which the Third Closing Date occurs.

"Affiliate" means, with respect to any Person, each Person that controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, solely for purposes of this Agreement and regardless of its characterization under Applicable Law, CEBA Bank shall be deemed to be an Affiliate of Bank and not an Affiliate of FDS, except as otherwise expressly provided in this Agreement and except that for purposes of Articles VI and XIII hereof, CEBA Bank also shall be deemed to be an Affiliate of FDS.

"Agreement" means this Program Agreement, together with all of its schedules and exhibits, as modified, altered, supplemented, amended and/or restated from time to time.

"Ancillary Products" means (i) any financial services or financial or credit related products (other than FDS Credit Cards), including insurance products and services, credit protection products, investment and securities products, home equity products, wealth accumulation products, savings and deposit products and debt suspension products and (ii) any auto, travel or other membership clubs and similar services that are not FDS Goods and Services.

"Applicable Law" means, to the extent applicable to the Program or any Party hereto, all federal, state and local laws (including common law), statutes, regulations, injunctions, written regulatory guidance, substantive recommendations (which Bank shall request in writing if so requested by FDS), orders, judgments, directives or determinations of any Governmental Authority or any order or judgment of any arbitrator, as may be amended and in effect from time to time during the Term, including (i) the Truth in Lending Act and Regulation Z; (ii) the Equal Credit Opportunity Act and Regulation B; (iii) the Fair Debt Collection Practices Act; (iv) the Fair Credit Reporting Act; (v) the Gramm-Leach-Bliley Act; and (vii) the USA PATRIOT Act, and, in each case, any implementing regulations or interpretations issued thereunder.

"Applicable Order" means, with respect to any Person, a judgment, injunction, writ, decree or order of any Governmental Authority, in each case legally binding on that Person or on any material amount of its property.

"Approved Ancillary Products" means the products listed on Schedule 1.1(a) and any additional Ancillary Products approved for offering under the Program after the Effective Date pursuant to the terms of this Agreement.

“Average Private Label Interest Free Receivables” means, for any twelve (12) consecutive Fiscal Month period, the Average Private Label Receivables that are unbilled and subject to any active interest free payment plan or three (3) or six (6) month deferred payment plan plus the Average Private Label Receivables that have been billed under (i) the 12-PAY or twelve (12) months SEAT plans or (ii) other new Account types introduced pursuant to Article III and designated for inclusion in the calculation of Average Private Label Interest Free Receivables in connection with such introduction.

“Average Private Label Receivables” means, for any twelve (12) consecutive Fiscal Month period, Average Receivables under Private Label Accounts.

“Average Receivables” means, (a) for any Fiscal Month, the Cardholder Indebtedness calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, and (b) for any Fiscal Year, (i) the sum of the amounts determined pursuant to clause (a) for each Fiscal Month in such Fiscal Year divided by (ii) the number of Fiscal Months in such Fiscal Year.

“Bad Debt Reserve” means the bad debt reserve maintained by Bank solely with respect to the Accounts under the Program in an amount, from time to time, equal to the product of (i) forty percent (40%) of the aggregate amount of Cardholder Indebtedness multiplied by (ii) the Loss Rate multiplied by (iii) 7/12. For purposes of this definition, “Loss Rate” means, with respect to the twelve (12) Fiscal Month period with respect to which the calculation of the Bad Debt Reserve is being made, a percentage equal to (i) (A) the aggregate amount of Cardholder Indebtedness that is forecasted by Bank (in a manner consistent with its forecasts for partner Credit Card portfolios managed by Bank of a similar size and nature) to be written-off under the Program during such twelve (12) Fiscal Month period, calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, minus (B) the aggregate amount forecasted by Bank (in a manner consistent with its forecasts for partner Credit Card portfolios managed by Bank of a similar size and nature) to be recovered with respect to previously written-off Cardholder Indebtedness during such twelve (12) Fiscal Month period (including recovery of sales taxes paid on written-off Cardholder Indebtedness), divided by (ii) the aggregate amount of the average amount of Cardholder Indebtedness under the Program forecasted for each Fiscal Month during such twelve (12) Fiscal Month period (in each case, calculated on a sum of cycles basis of reporting monthly receivables under the Accounts for each Fiscal Month).

“Bank” has the meaning set forth in the preamble hereof; provided that Bank shall mean CEBA Bank with respect to Bank’s rights and obligations hereunder following the assignment of this Agreement to CEBA Bank pursuant to Section 18.2.

“Bank Licensed Marks” means the trademarks, tradenames, service marks, logos and other proprietary designations of Bank listed on Schedule 1.1(b) and licensed to the FDS Companies under Section 10.2 hereof.

“Bank Manager” has the meaning set forth in Section 3.4(a) hereof.

“Bank Parent” means Citigroup, Inc.

“Bank Systems” means Systems owned, leased or licensed by and operated by or on behalf of Bank or any of its controlled Affiliates; provided that a System shall not be a Bank System if access or permission to use such System must be granted by FDS or any of its Affiliates in order for Bank or any of its Affiliates to use such System hereunder.

“Bankruptcy Code” means Title 11 of the United States Code, as amended, or any other applicable state or federal bankruptcy, insolvency, moratorium or other similar law and all laws relating thereto.

“Billing Cycle” means the interval of time between regular periodic Billing Dates for an Account.

“Billing Date” means, for any Account, the last day of a Billing Cycle as of when the Account is billed.

“Billing Statement” means a summary of Account credit and debit transactions for a Billing Cycle including a descriptive statement covering purchases, charges, past due account information and Loyalty Program information.

“Budget” means the semi-annual or annual (as the case may be) budget for the Program, in substantially the form attached hereto as Schedule 9.4(a) or such other form as may be approved by the Operating Committee, which in each case shall set forth, among other information determined by the Operating Committee, the projected account volumes, revenues, expenses, write-offs, and funding needs and obligations for the Program for the period covered and an explanation of how such needs will be met.

“Business Day” means any day, other than a Saturday, Sunday or legal holiday, on which both FDS and Bank are open for business at their respective U.S. headquarters.

“Business Plan” means a three-year business plan for the Program, in substantially the form agreed upon by the Parties on or prior to the Effective Date or such other form as may be approved by the Operating Committee, which shall in each case describe strategies for Program growth and shall include detailed financial statements, a schedule of all major assumptions underlying such financial statements, a description of all capital expenditures and Systems improvements projected for the period, the projected funding needs of the Program for such period, and an explanation of how those needs will be met.

“Card Association” means Visa International Inc. and Visa U.S.A. Inc. or any successor thereto and, to the extent that, any time following the Effective Date, FDS Bank approves the issuance pursuant hereto of Co-Branded Credit Cards bearing the mark of any other card association or card network (e.g., MasterCard, American Express or Discover), such other card association or card network.

“Cardholder” means any Person who has been issued an FDS Credit Card and includes authorized user(s).

“Card Association Contract” has the meaning set forth in Section 9.3(c) hereof.

“Cardholder Data” means (i) the Cardholder List and (ii) all other personally identifiable information about a Cardholder (A) received by or on behalf of Bank (including by the FDS Servicer in its capacity as such) in connection with the Cardholder’s application for use of an FDS Credit Card or Account or (B) otherwise obtained by or on behalf of Bank (including information obtained by the FDS Servicer in its capacity as such and information contained in the Master File conveyed to Bank pursuant to

the Purchase Agreement) for inclusion in its database of Cardholder information (including information about a Cardholder purchased by Bank), including all transaction and experience information collected by or on behalf of Bank (including by the FDS Servicer in its capacity as such) with regard to each purchase charged by a Cardholder using his or her FDS Credit Card (including FDS Charge Transaction Data with respect to charges on Private Label Accounts and transaction and experience information with respect to charges on General Purpose Accounts).

“Cardholder Indebtedness” means all amounts charged and owing to Bank by Cardholders with respect to Accounts (including principal balances from outstanding charges, charges for Approved Ancillary Products, balance transfers, convenience checks, cash advances, finance charges, NSF fees, late charges, pay-by-phone fees and any other fees and charges), whether or not billed, less the amount of any credit balances owing by Bank to Cardholders, including in respect of any payments and any credits associated with returns of goods and/or services and other credits and adjustments, whether or not billed.

“Cardholder List” means any list (whether in hardcopy, magnetic tape, electronic or other form) that identifies Cardholders, including any such listing that sets forth the names, addresses, email addresses (as available), telephone numbers or social security numbers of any or all Cardholders.

“Change of Control” means, with respect to any Person (the “subject Person”), (i) a Person or group becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (except that a Person or group shall be deemed to own all securities it has the right to acquire)), directly or indirectly, of more than fifty percent (50%) of the total voting power of the subject Person, (ii) such subject Person merges, consolidates, acquires, is acquired by, or otherwise combines with any other Person in a transaction in which the subject Person is not the surviving entity or which constitutes a “merger of equals”, it being understood that a subject Person shall not be considered the “surviving entity” of a transaction if either (A) the members of the Board of Directors of the subject Person immediately prior to the transaction constitute less than a majority of the members of the Board of Directors of the ultimate parent entity of the entity surviving or resulting from the transaction or (B) securities of the subject Person that are outstanding immediately prior to the transaction (or securities into which such securities are converted in the transaction) represent less than fifty percent (50%) of the total voting power of the ultimate parent entity of the entity surviving or resulting from the transaction, or (iii) the subject Person sells all or substantially all of its assets to a Person that is not an Affiliate of the subject Person.

“Co-Branded Credit Card” means a Credit Card, including the Credit Cards listed on Schedule 1.1(c) as “Co-Branded Credit Cards,” that (i) bears an FDS Licensed Mark and a trademark, tradename, service mark, logo or other proprietary designation of a Card Association and (ii) is linked to a General Purpose Account and (except in the case of SAV Visa Accounts or as otherwise agreed by the Parties) a Private Label Account.

“Confidential Information” has the meaning set forth in Section 13.1(a) hereof.

“Conversion Costs” has the meaning set forth in Section 16.2(d)(iii) hereof.

“CPI” means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, as published by the United States Department of Labor Bureau of Labor Statistics, or any successor organization.

“Credit Card” means a credit card pursuant to which the cardholder or authorized user may purchase goods and services, obtain cash advances or convenience checks, and transfer balances through open-end revolving credit, commonly known as a credit or charge card; provided that the term does not include: (i) any gift card; (ii) any debit card, smart card, stored value card, electronic or digital cash card or any other card that does not provide the holder thereof with the ability to obtain credit other than through an overdraft line or similar feature; (iii) any secured card, including any card secured by a lien on real or other property or by a deposit (but excluding any credit card issued in respect of an Employee Account, which shall be deemed a Credit Card for purposes of this Agreement); (iv) any card issued to the holder of a securities brokerage account that allows the holder to obtain credit through a margin account; or (v) any credit or charge card designated as a corporate credit or charge card.

“Credit Card Agreement” means the Credit Card agreement between Bank (including as an assignee of FDS Bank, GE Bank or May Bank (as defined in the Purchase Agreement)) and a Cardholder (and any replacement of such agreement), governing the use of an Account, together with any amendments, modifications or supplements that now or hereafter may be made to such Credit Card Agreement (and any replacement of such agreement).

“Credit Card Application” means the credit application that must be completed and submitted in order to establish an Account (including any such application submitted at the POS, by phone or via the Internet).

“Credit Card Business” means the Business, as that term is defined in the Purchase Agreement.

“Credit Card Documentation” means, with respect to the Accounts, all Credit Card Applications; Credit Card Agreements; FDS Credit Cards; documentation containing the terms and conditions of any Loyalty Programs mailed or sent to Cardholders; and Billing Statements, in each case relating to such Accounts.

“Disclosing Party” has the meaning set forth in Section 13.1(d) hereof.

“Early Age Collection” has the meaning set forth in Section 4.2(a)(iv) hereof.

“Effective Date” means the First Cut-Off Time (as defined in the Purchase Agreement).

“Employee Accounts” means the Prepaid Employee Accounts and Private Label Accounts designated (including by designation in the master file) by an FDS Company as Accounts that are eligible for any employee discount or otherwise designated by an FDS Company as “Employee Accounts” from time to time.

“Equity Holder” means the FDS entity that is the owner of the preferred equity interests of CEBA Bank that are issued pursuant to the Purchase Agreement.

“Estimated Remittance” has the meaning set forth in Section 8.4(c) hereof.

“Event of Default” means the occurrence of any one of the events listed in Section 14.1 hereof.

“Exchange Act” means the Securities and Exchange Act of 1934 and the rules and regulations promulgated thereunder.

“Executive Committee” has the meaning set forth in Section 3.3 hereof.

“FACS” has the meaning set forth in the preamble hereof.

“Fair Market Value” has the meaning set forth in Schedule 16.2(e).

“FDIC” means the Federal Deposit Insurance Corporation.

“FDS” has the meaning set forth in the preamble hereof.

“FDS Accounts” has the meaning set forth in the Purchase Agreement.

“FDS Bank” has the meaning set forth in the preamble hereof.

“FDS Bank Designees” has the meaning set forth in Section 3.2(c) hereof.

“FDS Channels” means (i) all retail establishments owned or operated by FDS or its Affiliates (including Licensee departments therein), (ii) all websites owned or operated by FDS or its Affiliates or their Licensees, and (iii) all mail order, catalog and other direct access media that are owned or operated by FDS or its Affiliates or their Licensees.

“FDS Charge Transaction Data” means the transaction information (in the form of electronic information) with regard to a charge on an Account with respect to each purchase of FDS Goods and Services or Approved Ancillary Products by a Cardholder on credit and each return of FDS Goods and Services or Approved Ancillary Products for credit.

“FDS Companies” has the meaning set forth in the preamble hereof.

“FDS Credit Card” means a Co-Branded Credit Card, a Private Label Credit Card or a Credit Card linked to a Prepaid Employee Account.

“FDS Debit Cards” has the meaning set forth in Section 2.2(d) hereof.

“FDS Event of Default” means the occurrence of any one of the events listed in Section 14.3 hereof or an Event of Default where an FDS Company is the defaulting Party.

“FDS Goods and Services” means the products and services sold, charged or offered by or through FDS Channels, including for personal, household, or business purposes, and including accessories, delivery services, protection agreements, gift cards, shipping and handling, and work or labor to be performed for the benefit of customers of the FDS Channels.

“FDS Licensed Marks” means the trademarks, tradenames, service marks, logos and other proprietary designations of the FDS Companies listed on Schedule 1.1(e) and licensed to Bank by the FDS Companies under Section 10.1 hereof.

“FDS Manager” has the meaning set forth in Section 3.4(a) hereof.

“FDS Marketing Commitment” means the obligation of Bank to pay the amounts set forth in Schedule 1.1(l) for marketing purposes as set forth in, and in accordance with, Section 5.2(b).

“FDS Matters” has the meaning set forth in Section 3.2(f) hereof.

“FDS Profit Share” has the meaning set forth in Schedule 1.1(i).

“FDS Prospect List” has the meaning set forth in Section 6.3(b) hereof.

“FDS Revenue Share” means the sum of the Net Credit Sale Share (as set forth on Schedule 9.3(a)) plus the New Account Payments (as set forth on Schedule 9.3(a)).

“FDS Servicer” means FDS Bank or such of its Affiliates, including FACS, responsible for performing the servicing functions referred to in Section 7.2(a).

“FDS Servicing Charge” means, for any Fiscal Month, the amount calculated as set forth in Schedule 1.1(g).

“FDS Shopper” means any Person who makes purchases of FDS Goods and Services.

“FDS Shopper Data” means all personally identifiable information regarding an FDS Shopper that is obtained by (or on behalf of) FDS or any of its Affiliates at any time (including prior to the date hereof), including personally identifiable information obtained in connection with such FDS Shopper making a purchase of FDS Goods and Services.

“FDS Systems” means Systems owned, leased or licensed by and operated by or on behalf of FDS or its Affiliates; provided that a System shall not be an FDS System if access or permission to use such System must be granted by Bank or any of its Affiliates in order for FDS or any of its Affiliates to use such System hereunder.

“FDS Transaction” means any purchase, exchange or return of FDS Goods and Services by a Cardholder using an FDS Credit Card.

“FedCustomer” means the retail marketing database used by FDS and its Affiliates.

“Federal Funds Rate” means the offered rate as reported in *The Wall Street Journal* in the “Money Rates” section for reserves traded among commercial banks for overnight use in amounts of one million dollars (\$1,000,000) or more or, if no such rate is published for a day, the rate published for the preceding Business Day, calculated on a daily basis based on a 365 day year.

“Finance Charge Reversal Percentage” means, with respect to any Fiscal Quarter, an amount, expressed as a percentage, equal to (i) the aggregate amount of all finance charges that had been assessed on the Accounts and then reversed by FDS or its Subsidiaries (other than System generated refunds of provisional finance charges assessed prior to on time payment in full of amounts due by a Cardholder) during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, divided by (ii) the aggregate amount of all finance charges assessed on the Accounts during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts.

“Fiscal Month” means each four (4) or five (5) week period designated as such in the calendar published by the National Retail Federation for retailers on a Fiscal Year-reporting basis; provided, that the Fiscal Month in which the Effective Date occurs shall be deemed to begin on the Effective Date.

“Fiscal Quarter” means each three (3) Fiscal Month period set forth in the calendar published by the National Retail Federation for retailers on a Fiscal Year-reporting basis; provided that the Fiscal Quarter in which the Effective Date occurs shall be deemed to begin on the Effective Date.

“Fiscal Year” means the fiscal year set forth in the calendar published by the National Retail Federation setting forth the fiscal year for retailers on a 52/53 week fiscal year ending on the Saturday closest to January 31; provided that the Fiscal Year in which the Effective Date occurs shall be deemed to begin on the Effective Date.

“Force Majeure Event” has the meaning set forth in Section 18.20 hereof.

“Funding Costs” has meaning set forth on Schedule 1.1(m).

“Future Subcontractors” has the meaning set forth in Section 6.2(h)(i) hereof.

“GE Bank” means GE Capital Consumer Card Co., an Ohio banking corporation.

“GE/Macy’s Account” has the meaning set forth in the GE/Macy’s Program Agreement.

“GE/Macy’s Program Agreement” means the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, by and among GE Bank, FDS and the other parties thereto, as amended, restated or otherwise modified from time to time.

“GE/Macy’s Receivables” has the meaning set forth in the GE/Macy’s Program Agreement.

“General Purpose Account” means an Account linked to any Co-Branded Credit Card and usable solely for the purpose of financing (i) purchases (and all fees and charges relating thereto) of goods and services through sellers or channels other than the FDS Channels and (ii) purchases (and all fees and charges relating thereto) of FDS Goods and Services through any FDS Channel that does not honor the Private Label Account linked to such Co-Branded Credit Card (e.g., purchase of FDS Goods and Services at a Macy’s store using a Bloomingdale’s branded FDS Credit Card).

“Governmental Authority” means any federal, state or local domestic, foreign or supranational governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other governmental, regulatory or self-regulatory entity.

“Gross Receivables” means amounts owing (net of credit balances) from cardholders with respect to accounts in a Credit Card portfolio (including outstanding loans, cash advances and other extensions of credit; billed or unbilled finance charges and late charges; and any other billed or unbilled fees, charges and interest assessed on such accounts).

“Guidelines” has the meaning set forth in Section 6.1(b) hereof.

“High Collar” has the meaning set forth on Schedule 1.1(f) hereto.

“Indemnified Party” has the meaning set forth in Section 17.3(b) hereof.

“Indemnifying Party” has the meaning set forth in Section 17.3(b) hereof.

“Initial Term” has the meaning set forth in Section 15.1 hereof.

“Inserts” has the meaning set forth in Section 5.3(a) hereof.

“In-Store Payment” means any payment on an Account made in a retail store owned or operated by FDS or any of its Subsidiaries by a Cardholder or a person acting on behalf of a Cardholder.

“Intellectual Property” means, on a worldwide basis, all intellectual property, including (i) rights associated with works of authorship, including copyrights, moral rights and mask-works; (ii) trademarks, service marks, internet domain names and other source indicators and the goodwill associated therewith; (iii) trade secret rights; (iv) patents, designs, algorithms and other industrial property rights; (v) other intellectual and industrial property rights of every kind and nature, however designated, whether arising by operation of law, contract, license or otherwise; and (vi) applications, registrations, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including any rights in any of the foregoing).

“Interchange Fees” means the interchange fees or interchange reimbursement fees paid or payable to Bank by the Card Association with respect to the Accounts, in Bank’s capacity as a Credit Card issuer, and in connection with Cardholder usage of the Accounts.

“Interim Services” means the services set forth in Schedule 1.1(n).

“Joint IP” has the meaning set forth in Section 10.3(b) hereof.

“Knowledge” means, with respect to any of the FDS Companies or Bank, the actual knowledge of the executive officers of the organization who have managerial responsibility for the Program, after reasonable inquiry.

“Late Fee Reversal Percentage” means, with respect to any Fiscal Quarter, an amount equal to (i) the aggregate amount of all late fees that had been assessed on the Accounts and then reversed by FDS or its Subsidiaries during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, divided by (ii) the aggregate amount of all late fees assessed on the Accounts during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts.

“Legally Required Communications” means any communications with Cardholders (including any communications relating to customer service, account management and collections) that are required by Applicable Law.

“LIBOR” means the London Interbank Offered Rates.

“Licensee” means any Person authorized by FDS or any of its Subsidiaries to operate in and sell FDS Goods and Services from the FDS Channels under the FDS Licensed Marks, solely with respect to such Person’s or any of its Subsidiaries’ operation in and sale of FDS Goods and Services from the FDS Channels or under the FDS Licensed Marks.

“Low Collar” has the meaning set forth on Schedule 1.1(f) hereto.

“Loyalty Programs” has the meaning set forth in Section 4.8(a) hereof.

“Manager” has the meaning set forth in Section 3.4(a) hereof.

“Marketing Plan” has the meaning set forth in Section 5.6(a) hereof.

“May Co.” means The May Department Stores Company, a Delaware corporation.

“May Merger” means the merger of May Co. with and into Milan Acquisition Corp., a Subsidiary of FDS, pursuant to the Agreement and Plan of Merger, dated as of February 27, 2005, by and among FDS, Milan Acquisition Corp. and May Co., as amended or otherwise modified from time to time.

“Merchant Discount” means a discount rate generally applied against settlements due to merchants for transactions with respect to the use of a Credit Card, which includes the Interchange Fees as well as any other transaction fees.

“Monthly Settlement Sheet” has the meaning set forth in Section 9.2(a) hereof.

“MSA” means a metropolitan statistical area as defined by the U.S. Office of Management and Budget and announced in an OMB Bulletin.

“Net Credit Sales” means, for any Fiscal Year or Fiscal Month, an amount equal to (i) gross credit sales on Accounts (including gift card sales, sales tax, delivery charges, Licensee sales and any other amount included in the full amount charged by Cardholders) during such Fiscal Year or Fiscal Month, minus (ii) the sum of credits for returned goods and cancelled services and other credits (such as concessions, discounts and adjustments) on Accounts during such Fiscal Year or Fiscal Month.

“Net FDS Write-offs” means, with respect to Accounts that have been written-off in a Fiscal Month as losses on a sum of cycles basis of reporting monthly receivables under the Accounts in accordance with the credit and collection policies contained in the Risk Management Policies, (a) amounts charged to the written-off Accounts, identified by Account, relating to the sale of FDS Goods and Services, including sales and use tax but excluding finance charges and late charges, minus (b) the portion of any recoveries received during such Fiscal Month on previously written-off Accounts attributable to the sale of FDS Goods and Services, including sales and use taxes but excluding finance charges and late charges.

“New Account Payments” has the meaning set forth in Schedule 9.3(a) hereof.

“New Bank Mark” has the meaning set forth in Section 10.2(b) hereof.

“New FDS Mark” has the meaning set forth in Section 10.1(b) hereof.

“Nominated Purchaser” has the meaning set forth in Section 16.2(a) hereof.

“Operating Committee” has the meaning set forth in Section 3.2(a) hereof.

“Operating Procedures” means the operating procedures for the Program in effect from time to time in accordance with Section 4.1(b) hereof.

“Parties” means the collective reference to the FDS Companies and Bank; and unless the context otherwise requires, “Party” means either the collective reference to the FDS Companies, on the one hand, or Bank, on the other hand.

“Partner Designees” has the meaning set forth in Section 3.2(c) hereof.

“Partner Event of Default” means the occurrence of any one of the events listed in Section 14.2 hereof or an Event of Default where a Bank is the defaulting Party.

“Partner Matters” has the meaning set forth in Section 3.2(g) hereof.

“Partner Servicing Charge” means the amount calculated as set forth on Schedule 1.1(g).

“Person” or “person” means any individual, corporation, business trust, partnership, association, limited liability company or similar organization, or any Governmental Authority.

“POS” means point of sale.

“Premium” means the collective reference to (i) the “Premium” portion of the FDS Purchase Price, as defined on the Final First Closing Statement, as finally determined in accordance with Section 2.3 of the Purchase Agreement, (ii) the “Premium” portion of the GE/Macy’s Purchase Price, as defined on the Final Second Closing Statement, as finally determined in accordance with Section 3.3 of the Purchase Agreement, and (iii) the “Premium” portion of the May Purchase Price, as defined on the Final Third Closing Statement, as finally determined in accordance with Section 4.3 of the Purchase Agreement.

“Prepaid Employee Account” means a payment product issued to an employee of FDS or any of its Subsidiaries that may be used for the purchases of FDS Goods and Services and otherwise has the same functionality and features as a Private Label Account, except that the terms of such Account shall require the applicable employee to prepay the amount that can be utilized for purchases pursuant to that Account, and is designated by an FDS Company as an Account that is eligible for an employee discount.

“Pre-Tax Profit” has the meaning set forth in Schedule 1.1(i).

“Previously Disclosed” means a disclosure in writing setting forth an exception to the representations and warranties of FDS or Bank, as applicable, in each case as set forth in the corresponding Schedule to this Agreement, which Schedules are being delivered by FDS and Bank concurrently with the execution and delivery of this Agreement by the Parties.

“Primary Initial Program Terms” means (a) the credit offerings and cardholder terms described in Section 4.7 and Schedule 4.7, (b) the Value Propositions described in Section 4.8 and Schedules 4.8(a) and 4.8(b), (c) the Risk Management Policies set forth in Schedules 4.6(b), 4.6(c)(i) and 4.6(c)(ii), and (d) the SLAs set forth in Schedule 7.3.

“Private Label Accounts” means the (i) Accounts linked to Private Label Credit Cards and (ii) Accounts linked to Co-Branded Credit Cards solely for the purpose of financing the purchase of FDS Goods and Services (and all fees and charges relating thereto) through any FDS Channel (except any such FDS Channel that has not provided for cross-acceptance of such Credit Card from another FDS Channel, the marks of which are linked to such Co-Branded Credit Card).

“Private Label Credit Card” means a Credit Card that bears an FDS Licensed Mark and may be used solely to finance purchases of FDS Goods and Services through any FDS Channel associated with the FDS Licensed Marks appearing on the face of such Credit Card, including the Credit Cards listed on Schedule 1.1(c) as “Private Label Credit Cards”. Each Private Label Credit Card is linked to solely a Private Label Account (and not a General Purpose Account).

“Program” means the Private Label Credit Card and Co-Branded Credit Card program established pursuant to this Agreement.

“Program Assets” means the Accounts, Account Documentation, Cardholder List, Cardholder Data, Solicitation Materials and all Cardholder Indebtedness (whether held by Bank or a third party).

“Program Expenses” has the meaning set forth in Schedule 1.1(i).

“Program Objectives” has the meaning set forth in Section 3.1 hereof.

“Program Privacy Policy” means the privacy policy and associated disclosures to be provided by Bank to Cardholders in connection with the Program, as set forth in Section 6.2(a) and as modified from time to time in accordance with such Section, provided, however, that the Program Privacy Policy shall be deemed not to include the portion of the notice set forth in Schedule 6.2(b) entitled “Citigroup Privacy Promise to Consumers”.

“Program Purchase Date” has the meaning set forth in Section 16.2(c) hereof.

“Purchase Agreement” has the meaning set forth in the recitals hereof.

“Purchased Accounts” means the collective reference to (i) the FDS Accounts from and after the occurrence of the First Closing, (ii) the GE/Macy’s Accounts from and after the occurrence of the Second Closing and (iii) the May Accounts from and after the occurrence of the Third Closing.

“Quarterly Settlement Sheet” has the meaning set forth in Section 9.2(b) hereof.

“Receiving Party” has the meaning set forth in Section 13.1(d) hereof.

“Retail Merchants” has the meaning set forth in Section 8.1 hereof.

“Renewal Term” has the meaning set forth in Section 15.1 hereof.

“Right of First Offer” has the meaning set forth in Schedule 2.2.

“Risk Management Policies” means the underwriting and risk management policies, procedures and practices applicable to the Program, consistent with this Agreement, including policies, procedures and practices for credit and Account openings, transaction authorization, fraud, collections, credit line assignment, increases and decreases, over-limit decisions, Account closures, payment crediting and charge-offs.

“Sales Tax Refunds” means refunds, rebates, credits or deductions of sales and use tax by any taxing authority in respect of an Account, and all allowable interest relating thereto.

“Second Look Program” has the meaning set forth in Section 2.2(c) hereof.

“Services Transition Date” has the meaning set forth in Section 7.2(d) hereof.

“Significant Portfolio” has the meaning set forth in Section 2.3(b)(i) hereof.

“SLA” means each individual performance standard set forth on Schedule 7.3.

“Small Portfolio” has the meaning set forth in Section 2.3(a) hereof.

“Sold Area Stores” has the meaning set forth in Section 2.4 hereof.

“Sold Chain” has the meaning set forth in Section 2.4 hereof.

“Solicitation Materials” means works of authorship, documentation, materials, artwork, copy, brochures, applications, any other written or recorded materials and any advertisements in any format or media (including television, internet and radio), used to promote or identify the Program to Cardholders and potential Cardholders, including direct mail solicitation materials and coupons.

“Special Condition” has the meaning set forth in Section 11.4(g) hereof.

“SPIFs” has the meaning set forth in Section 5.2(a)(v) hereof.

“Subsidiary” when used with respect to any Person, means another Person, where an amount of the voting securities, or other voting ownership or voting partnership interests of the second Person sufficient to elect at least a majority of its board of directors or similar governing body (or if there are not such voting interests, fifty percent (50%) or more of the equity interest of which) is owned directly or indirectly by the first Person or by another Subsidiary of the first Person.

“Systems” means software, databases, computers, systems and networks.

“Systems Transition Date” has the meaning set forth in Section 7.4(a) hereof.

“Term” means the Initial Term and each Renewal Term.

“Termination Period” means the period beginning on the earlier of the date of expiration of this Agreement or the date of any notice of termination pursuant to Article XV and ending on either (i) the date the Program Assets are purchased pursuant to Section 16.2, if FDS or a Nominated Purchaser purchases the Program Assets, or (ii) the date that either (A) the FDS Companies deliver written notice to Bank of their election not to purchase the Program Assets or (B) the right of the FDS Companies to purchase the Program Assets expires in accordance with the terms of this Agreement.

“Total Servicing Transfer” has the meaning set forth in Section 7.2(c) hereof.

“Trademark Style Guide” means any rules governing the manner of usage of trademarks, tradenames, service marks, logos and other proprietary designations.

“Transition Plan” means the transition plan agreed upon by the Parties on or before the Effective Date as to the actions the Parties shall take to initiate the Program in accordance with this Agreement and which shall be attached hereto as Schedule 1.1(j).

“Unamortized Premium” has the meaning set forth in Schedule 1.1(k).

“Unapproved Matter” has the meaning set forth in Section 3.2(e)(ii)(B) hereof.

“Value Propositions” means the value propositions described in Section 4.8 and any other card-related promotional or rewards programs as may be established by the Operating Committee from time to time.

“Year-End Settlement Sheet” has the meaning set forth in Section 9.2(c) hereof.

1.2 Miscellaneous. As used herein: (a) all references to the plural number shall include the singular number (and vice versa); (b) all references to “herein,” “hereunder,” “hereof” or like words shall refer to this Agreement as a whole and not to any particular section, subsection or clause contained in this Agreement; (c) all references to “include,” “includes” or “including” shall be deemed to be followed by the words “without limitation”; (d) unless specified as Business Days, all references to days or months shall be deemed references to calendar days or months; and (e) all references to “\$” or “dollars” shall be deemed references to United States dollars.

ARTICLE II

ESTABLISHMENT OF THE PROGRAM

2.1 Credit Program. Beginning as of the Effective Date, Bank shall offer and issue the FDS Credit Cards, and shall issue (or arrange to be issued by an Affiliate or another third party acceptable to FDS or currently offering such products on Bank’s behalf) the Approved Ancillary Products. Bank shall promptly open a new Account and issue a new Private Label Credit Card or Co-Branded Credit Card with respect to each Credit Card Application approved in accordance with the Risk Management Policies. In addition, in the case of any employee of FDS or any of its Subsidiaries who applies for an FDS Credit Card but is not approved for a Private Label Account in accordance with the Risk Management Policies, Bank shall arrange for an Affiliate to offer, or cause to be offered, and Bank shall issue, or arrange for the issuance by an Affiliate of, a Prepaid Employee Account. To the extent approved in accordance with the terms of this Agreement, in addition to the FDS Credit Cards and Approved Ancillary Products, the Program shall include such other Ancillary Products and other payment products as shall be incorporated in the Program in the future.

2.2 Exclusivity.

(a) General. Except as otherwise provided in this Section 2.2 and in Section 2.3, during the Term, each of the FDS Companies, on behalf of itself and its Affiliates, agrees that it shall not, by itself or in conjunction with or pursuant to agreements with others, directly or indirectly: (i) issue, offer or market in the United States a Credit Card, whether or not bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity, other than through the Program; (ii) expressly authorize any third party to issue, offer or market in the United States a revolving credit or installment loan product bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity, other than through the Program; or (iii) sell, rent or otherwise make available, or allow others to sell, rent or otherwise make available, any FDS Shopper Data or other Cardholder information for marketing, issuance or offering of any revolving credit or installment loan product bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity.

(b) GE/Macy’s and May Credit Cards. Notwithstanding Section 2.2(a), (i) FDS and its Affiliates shall have the right to continue to exercise their rights and perform their obligations pursuant to the GE/Macy’s Program Agreement until the termination thereof; provided that FDS shall not permit the term of such agreement to be extended or renewed and (ii) following the May Merger and prior to the Third Closing Date, FDS and its Affiliates shall be entitled to offer the May Accounts and operate the May Business (as defined in the Purchase Agreement) as contemplated by the Purchase Agreement.

(c) Second-Look Credit Card Program. Notwithstanding Section 2.2(a), FDS and its Affiliates shall have the right at any time during the Term to establish a program (a "Second Look Program") for issuing Credit Cards, including Private Label Credit Cards and Co-Branded Credit Cards, using the FDS Licensed Marks, to customers whose Credit Card Applications have been declined by Bank (and customers who were granted credit under the Program, but for whom the credit granted is not sufficient to accommodate the purchase of any FDS Goods and Services). Upon the request of any FDS Company, Partner shall forward to the FDS Companies or a provider of secondary financing the Credit Card Applications with respect to such customers and shall take such other actions as are reasonably requested by the FDS Companies in order to facilitate the issuance of Credit Cards to such customers pursuant to any Second Look Program.

(d) Debit Cards. In the event that FDS or any of its Affiliates desires to issue or market a debit card that bears the brand of the relevant card association and one or more FDS Licensed Marks ("FDS Debit Cards"), FDS shall first provide notice to Bank of such desire. Bank shall have thirty (30) days from the receipt of such notice to make a proposal (or to cause one of its Affiliates to make a proposal) with respect to such issuance. If Bank or one of its Affiliates elects to make such a proposal during such time period, FDS shall negotiate in good faith with Bank or such Affiliate to arrive at an agreement providing for the offering, on mutually satisfactory terms, of a debit card product featuring functionality and terms mutually agreeable to FDS and Bank. In the event that FDS and Bank (or Bank's Affiliate) fail to reach agreement on the principal terms thereof within thirty (30) days from the date of Bank's initial proposal to FDS, FDS shall be free to issue FDS Debit Cards or enter into an arrangement with any third party to issue FDS Debit Cards; provided that FDS shall not enter into any such third party arrangement having contractual terms, product features and functionality that are in the aggregate materially less favorable to FDS than the terms, features and functionality offered to FDS by Bank or its Affiliate.

(e) Retail Portfolio Acquisition. Notwithstanding Section 2.2(a), Bank's sole rights with respect to Credit Card portfolios acquired by FDS or its Affiliates during the Term are set forth in Section 2.3 hereof. The limitations, restrictions and procedures set forth in Section 2.2(d) shall not apply to debit card portfolios acquired by FDS or its Affiliates, and Bank shall have no rights with respect to any such acquired portfolios.

(f) Payment Plans. Without the prior written consent of Bank, none of FDS or its Affiliates shall offer the payment plans set forth on Schedule 4.8(b)(i) to their retail customers except (i) through the Program, (ii) through a second-look Credit Card program established in compliance with Section 2.2(c) or (iii) to the extent that, without the consent of FDS, such payment plans are no longer offered through the Program.

(g) Other Products. Notwithstanding the prohibitions set forth in this Section 2.2, FDS and its Affiliates shall be free to do any of the following at any time:

- (i) issue, offer or market any payment products not expressly covered in this Section 2.2 (e.g., FDS and its Affiliates shall not be restricted from issuing, accepting or otherwise taking action with respect to (A) gift cards, pre-paid cards or stored value

cards, whether or not bearing an FDS Licensed Mark, or (B) debit cards (whether or not bearing an FDS Licensed Mark) other than to the extent set forth above with respect to FDS Debit Cards);

(ii) participate in rewards programs and promotions by card associations or for cards not branded with any of the FDS Licensed Marks (e.g., American Express Membership Rewards);

(iii) offer its customers a loyalty program of any type (whether or not using an FDS Licensed Mark); provided that (a) no such program shall (1) promote the generation of Credit Card accounts in the United States other than the Accounts or (2) be marketed more prominently in any retail stores operated by FDS and Subsidiaries than the Loyalty Programs offered under the Program; and (b) the Loyalty Programs offered under the Program shall be the primary loyalty programs of FDS and its Subsidiaries (as applicable); and

(iv) accept any type of Credit Card, debit card or other payment product for purchases of FDS Goods and Services.

2.3 Retail Portfolio Acquisitions.

(a) Small Acquired Portfolios. If FDS or any of its Affiliates acquires (including by merger, consolidation or other business combination) a retail department store business that directly or through an Affiliate or unaffiliated third party issues a Credit Card in the United States and the portfolio of such Credit Cards has Gross Receivables, as of the month-end preceding the date of acquisition, of less than five hundred million dollars (\$500,000,000) (a "Small Portfolio"), unless it is prohibited from doing so by contractual prohibitions applicable to the acquired business or by Applicable Law, FDS or such Affiliate shall sell, and Bank shall purchase, such Small Portfolio in accordance with the terms and procedures set forth in Schedule 2.3(a); provided, however, that Bank's obligation to purchase the Small Portfolio shall be subject only to receipt of applicable regulatory approvals and the execution by FDS of the transaction agreement referred to in Section 2.3(c).

(b) Significant Acquired Portfolios.

(i) If FDS or any of its Affiliates acquires (including by merger, consolidation or other business combination) a retail department store business that directly or through an Affiliate or unaffiliated third party issues a Credit Card in the United States and the portfolio of such Credit Cards has Gross Receivables, as of the month-end preceding the date of acquisition, of five hundred million dollars (\$500,000,000) or more (a "Significant Portfolio"), FDS may elect to (A) keep such Significant Portfolio (or if the portfolio is then subject to an agreement with a third party issuer, retain such portfolio with such third party issuer), or (B) subject to Bank's Right of First Offer, transfer such Significant Portfolio to a third party.

(ii) If FDS elects to keep such Significant Portfolio (or if the portfolio is then subject to an agreement with a third party issuer, retain such portfolio with such third party issuer), FDS shall have the right to operate (itself or through arrangements with a third party) the Credit Card business associated with such Significant Portfolio. If FDS does not sell the Significant Portfolio to Bank and this Agreement remains in effect, the restrictions of Section 2.2 shall not apply to the Credit Card business associated with such Significant Portfolio, including any growth thereof.

(c) In the event of a sale of a Small Portfolio to Bank or if FDS accepts an offer from Bank to purchase a Significant Portfolio, (i) the Parties shall promptly negotiate in good faith and execute a purchase agreement for such portfolio, which shall contain terms and conditions substantially similar to the Purchase Agreement to the extent applicable (and such other terms and conditions as may be mutually satisfactory to the Parties), and (ii) FDS shall arrange for the Parties to have reasonable access to information regarding such portfolio to enable the Parties to perform customary due diligence for purposes of determining the purchase price for such portfolio. The Parties shall not unreasonably withhold or delay execution of such purchase agreement or any other documents necessary to effectuate such sale. The Parties shall use reasonable efforts to ensure that the closing under such purchase agreement occurs as promptly as reasonably practicable following the execution of such purchase agreement.

(d) Third Party Programs. Notwithstanding the foregoing provisions of this Section 2.3, if the Credit Cards offered by the acquired retail department store business are issued by a third party pursuant to a program agreement or other contractual arrangement between such third party and such acquired retail business, the FDS Companies shall not be required to terminate such agreement or arrangement in order to offer such portfolio to Bank. Following completion of such acquisition, FDS and its Affiliates shall be entitled to continue to comply with such agreements or arrangements and to renew such agreements or arrangements upon their expiration. Without limiting their rights and obligations hereunder, Bank shall cooperate with the FDS Companies in an effort to ensure that the operation of the Program and the acquired program can both continue without disruption to the customer base of FDS and its Affiliates; provided, however, that any cross-acceptance of Credit Cards between the Program and any such other third party program or arrangement shall be made only on a reciprocal basis.

(e) Bank Programs. Notwithstanding the foregoing provisions of this Section 2.3, if the Credit Cards offered by the acquired retail department store business are owned by Bank or any of its Affiliates, upon request of FDS, FDS and Bank shall negotiate in good faith in order to enter into an agreement containing mutually satisfactory terms pursuant to which the acquired Credit Card portfolio would be integrated into the Program by converting the acquired Credit Card accounts into Accounts subject to this Agreement; provided, however, that if the Parties, after having used good faith to do so, cannot reach a mutually satisfactory agreement for the integration of such acquired Credit Card portfolio into the Program, then the Program and the acquired Credit Card portfolio shall continue to be operated in accordance with the then-existing respective terms applicable to each, and Bank shall not be deemed in breach of the provisions of Section 2.5 in respect of the continued operation of such acquired Credit Card portfolio.

(f) Conversion of Purchased Accounts. If Bank or any of its Affiliates acquires any Credit Card portfolio pursuant to this Section 2.3, unless otherwise provided in this Section 2.3, the Parties shall integrate such Credit Card portfolio with the Program and convert all acquired Credit Card accounts to Accounts established under the Program, which converted Accounts shall be subject to the same terms and conditions as the Accounts and to this Agreement, and shall participate in the Program, as if they were originated under this Agreement. Bank shall cover all costs and expenses related to conversions pursuant to this Section 2.3(f) (which costs and expenses shall be Program Expenses), including replacement of Credit Cards, notices to Cardholders and complying with other requirements of Applicable Law.

(g) No Other Obligations. Except as set forth in this Section 2.3, neither Party nor any of their respective Affiliates shall (i) have any obligation to include in the Program any Credit Card portfolios acquired in connection with any merger, consolidation, acquisition or other transaction or otherwise cause them to be transferred to Bank or (ii) have any obligation to include any debit card program so acquired in the Program or otherwise transfer any such program to Bank. Except to the extent included in the Program, an acquired portfolio may be operated free of the exclusivity restrictions set forth in this Agreement.

2.4 Retail Portfolio Dispositions.

(a) In the event that FDS or any of its Affiliates arranges for the sale of (a) any existing chain or other group of separately identifiable stores, including through the sale of a division or subsidiary of FDS (a "Sold Chain"), or (b) all stores or other retail establishments within an MSA ("Sold Area Stores"), Bank shall negotiate in good faith with FDS in connection with such disposition to the extent the purchaser of any Sold Chain or Sold Area Stores expresses an interest in the Program Assets primarily related thereto. If, as a result of a disposition referred to in the preceding sentence, FDS ceases to own any stores in a particular MSA, then, in the event that neither FDS nor the purchaser of the Sold Chain or Sold Area Stores purchases the Program Assets primarily related thereto, the provisions of clause (a) of Section 16.4 hereof shall apply in respect of any Account (a) that at the time of such disposition has been or thereafter becomes purchase-inactive for at least twelve (12) consecutive Billing Cycles and (b) for which seventy-five percent (75%) of the purchase activity in the twelve (12) Billing Cycles preceding the period of inactivity was at a store or stores disposed of. Notwithstanding the foregoing, any replacement or substitute Credit Card issued to the holders of such Accounts shall be a non-partner Credit Card (i.e. a Credit Card that is issued by Bank or its Affiliates other than pursuant to a program, joint-marketing or similar agreement with a third party). Notwithstanding the foregoing, Bank shall not sell any of the foregoing Accounts without the prior written consent of FDS (which consent shall not be unreasonably withheld).

(b) In the event that FDS or any of its Affiliates arranges for the sale of stores, divisions or subsidiaries pursuant to a settlement with or other written commitment to a Governmental Authority in connection with such Governmental Authority's review of the May Merger, FDS shall have the right to cause the disposition of the portion of the Program Assets related to such disposition to a third party purchaser for a purchase price equal to (i) the Cardholder Indebtedness of the Program Assets disposed of plus (ii) the product of (A) the Premium plus the Additional Premium paid in respect of all Purchased Accounts times (B) (1) Cardholder Indebtedness of the Program Assets disposed of divided by (2) total Cardholder Indebtedness.

2.5 Partner Exclusivity. During the Term, neither Bank nor any of its Affiliates shall enter into any agreement with any of the retailers listed on Schedule 2.5 or any of their respective Affiliates providing for issuance, offering or marketing in the United States of a Credit Card bearing a corporate name, brand or trademark used by any of such retailers in connection with the operation of their retail businesses in the United States.

2.6 General Electric Capital Corporation / Macy's Credit Card Program. Prior to the Second Closing, Bank shall work together with the FDS Companies to (i) ensure that the Program and the program under the GE/Macy's Program Agreement shall continue to coexist in substantially the same manner as prior to the Effective Date and (ii) avoid, to the extent possible (consistent with this Agreement), any conflicts that may arise between the operations of the Program and those of the program under the GE/Macy's Program Agreement. Prior to the consummation of the Second Closing (and the termination or expiration of the GE/Macy's Program Agreement), Bank shall have no right to any amounts received by FDS pursuant to the GE/Macy's Program Agreement or to any amounts generated by GE/Macy's Accounts or GE/Macy's Receivables. Bank shall not be liable hereunder for any act or omission to act to the extent that such act or omission was properly taken by Bank in order to satisfy its respective obligations under this Section 2.6 without gross negligence or willful misconduct (and no such act or omission shall constitute an Event of Default hereunder).

ARTICLE III

PROGRAM MANAGEMENT AND ADMINISTRATION

3.1 Program Objectives. In performing their responsibilities with respect to the management and administration of the Program, each Party shall be guided by the following Program objectives (the "Program Objectives"):

- (a) to drive retail sales and profitability of the FDS Companies and their Affiliates;
- (b) to provide high-quality service consistent with the preservation and enhancement of the FDS brands;
- (c) to differentiate the FDS Companies and their Affiliates from their competitors in terms of customer value, convenience and service;
- (d) to provide a Program tailored to the unique characteristics of the retail customers of the FDS Companies and their Affiliates; and
- (e) to retain existing Cardholders and generate new Accounts and FDS Credit Card usage to drive the FDS Companies' and their Affiliates' retail sales and increase Program revenues and profitability.

3.2 Operating Committee.

(a) Establishment of the Operating Committee. FDS Bank, on behalf of the FDS Companies, and Bank hereby establish a committee (the "Operating Committee") to oversee and review the conduct of the Program pursuant to this Agreement and to perform any other action that, pursuant to any express provision of this Agreement, requires its action.

(b) Subcommittees of the Operating Committee. The Operating Committee may designate additional committees (which may include persons who are not members of the Operating Committee) with responsibility for overseeing and administering specified aspects of the Program (e.g., marketing, underwriting and risk management); provided, however, that approval of any matter expressly required by this Agreement to be approved by the Operating Committee shall not be delegated to any subcommittee or other body.

(c) Composition of the Operating Committee. The Operating Committee shall consist of six (6) members, of whom three (3) members shall be nominated by FDS Bank (the “FDS Bank Designees”) and three (3) members shall be nominated by Bank (the “Partner Designees”). The initial FDS Bank Designees and Partner Designees shall be determined prior to the First Closing. FDS shall at all times have as one of its designees the FDS Manager (as defined in Section 3.4(a)) and Bank shall at all times have as one of its designees Bank Manager (as defined in Section 3.4(a)). Bank and FDS Bank may each substitute its designees to the Operating Committee from time to time, provided that each Party shall provide the other Party with as much prior notice of any such substitution as is reasonably practicable under the circumstances.

(d) Functions of the Operating Committee. Subject to Sections 3.2(e), 3.2(f) and 3.2(g), the Operating Committee shall:

- (i) approve the semi-annual and annual Budget and the Business Plan, including the assumptions and performance targets reflected therein;
- (ii) review monthly, quarterly and annual Program performance relative to the Budget and the Business Plan and Program Objectives;
- (iii) oversee Program marketing activities, including:
 - (A) review and approval of the Marketing Plan; and
 - (B) allocation of the Additional Marketing Commitment;
- (iv) review collection strategies and collection metrics;
- (v) monitor activities of competitive programs and identify implications of market trends;
- (vi) approve (which approval will not be unreasonably withheld) the use of any third party (e.g., subcontractor or outsourced service provider), other than any Affiliate or Licensee of FDS or Bank, as the case may be, to perform any obligation to be performed by Bank or the FDS Companies under the Program to the extent such obligation involves customer contact (whether in person, by telephone or in writing) prior to ninety (90) days’ delinquency (as set forth on, and in accordance with, Schedule 4.2(a)(iv)), in each case, except to the extent subcontracted or outsourced as of the Effective Date;

-
- (vii) evaluate and approve changes to the Primary Initial Program Terms, including the evaluation and approval of any of the following:
 - (A) offering of new Credit Card or other payment products or Ancillary Products;
 - (B) changes in Cardholder terms, including any of the terms set forth on Schedule 4.7;
 - (C) changes to the Risk Management Policies (which shall be submitted to the Operating Committee together with the expected pro forma effects of such changes on the Program);
 - (D) changes to the Operating Procedures;
 - (E) changes to the SLAs applicable to the Program;
 - (F) changes to existing Value Propositions, or approval of additional Value Propositions to be supported by the Program;
 - (viii) approve the design of Credit Card Documentation, the design of FDS Credit Cards and any changes thereto;
 - (ix) review customer service, collections and other servicing performance and reporting aspects of the Program against SLAs and other requirements of this Agreement;
 - (x) approve any capital expenditures (or group of related capital expenditures) that would constitute Program Expenses in excess of one hundred thousand dollars (\$100,000) in any Fiscal Year;
 - (xi) carry out such other tasks as are assigned to it by this Agreement or jointly by the Parties;
 - (xii) approve any modifications to the Transition Plan;
 - (xiii) approve changes to the Program Privacy Policy or the notice set forth in Schedule 6.2(b); and
 - (xiv) evaluate and approve new Credit Card products, Ancillary Products or other products and services proposed to be offered to Cardholders.

(e) Proceedings of the Operating Committee.

(i) Meetings and Procedural Matters. The Operating Committee shall meet (in person or telephonically) not less frequently than monthly. In addition, any member of the Operating Committee may call a special meeting by delivery of at least five (5) Business Days' prior notice to all of the other members of the Operating Committee, which notice shall specify the purpose for such meeting. Except to the extent expressly provided in this Agreement, the Operating Committee (and any subcommittee formed by it) shall determine the frequency, place and agenda for its meetings, the manner in which meetings shall be called and all procedural matters relating to the conduct of meetings and the approval of matters thereat.

(ii) Actions.

(A) Each of FDS and Bank shall be entitled to one vote in respect of all matters to be approved by the Operating Committee (or any applicable subcommittees). Any one of the representatives of FDS and of Bank on the Operating Committee (or any subcommittee) may cast the vote allocated to FDS or Bank, as the case may be, in the manner determined by such representatives. Any matter requiring the approval of the Operating Committee (or any subcommittee) shall require the affirmative approval of both FDS and Bank.

(B) If the Operating Committee shall fail to agree on any matter of significance to the Program, including any unresolved subcommittee matter to which the Operating Committee has attempted in good faith to resolve (an “Unapproved Matter”), then such Unapproved Matter shall be referred to the Executive Committee (as defined in Section 3.3) for further consideration. Any such resolution by the Executive Committee shall be deemed to be the action and approval of the Operating Committee for purposes of this Agreement. If a majority of the Executive Committee members constituting the full Executive Committee (including any vacancies) shall fail to resolve the Unapproved Matter within ten (10) Business Days after such matter has been referred to the Executive Committee, then such Unapproved Matter shall be referred to the President of Citi Cards and the Vice Chairman or other senior executive of FDS responsible for FDS’s credit program, who shall in good faith attempt to resolve the matter. Any such resolution by such senior officers shall be deemed to be the action and approval of the Operating Committee for purposes of this Agreement. If, after ten (10) Business Days, the Unapproved Matter remains unresolved by such senior officers of FDS Bank and Bank, the failure to agree shall constitute a deadlock. In the event of a deadlock, the final decision shall rest with FDS Bank in the case of FDS Matters and with Bank in the case of Partner Matters, each of whom shall exercise their discretion reasonably and in good faith. If a deadlock should occur with respect to a matter that is neither an FDS Matter nor a Partner Matter, the matter shall be deemed rejected by the Operating Committee.

(C) No changes to the Primary Initial Program Terms shall be made before the first anniversary of the Effective Date without the approval of the Operating Committee (it being understood that “approval” shall not include any decision made pursuant to the penultimate sentence of Section 3.2(e)(ii)(B)); provided, however, that (i) if a Party concludes that a change is required by Applicable Law or is commensurate and proportionate to any negative changes in through the door populations or individual segment performance (as evidenced and measured by validated scores or generally accepted, data driven credit risk metrics), and (ii) if such Party would have final decision making authority with respect to such change (pursuant to Section 3.2(f) or (g)), then, after satisfying all procedures provided in this Article III with respect to the consideration and approval of the matter by the Operating Committee, such Party may make the change without regard to this clause (C).

(D) Without limiting the provisions of this Article III, during the first year following the Effective Date, the Operating Committee will consider the matters set forth on Schedule 3.2(e)(ii)(D).

(f) FDS Matters. In accordance with and subject to this Section 3.2, FDS Bank shall have the ultimate decision making authority with respect to the matters set forth on Schedule 3.2(f) (the “FDS Matters”).

(g) Partner Matters. In accordance with and subject to this Section 3.2, Bank shall have the ultimate decision making authority with respect to the matters set forth on Schedule 3.2(g) (the “Partner Matters”).

3.3 Executive Committee. The strategic direction of the Program shall be subject to the review of an executive committee (the “Executive Committee”). The Executive Committee shall be responsible for (i) periodically reviewing the Program; (ii) setting and reviewing strategy for the Program; (iii) overseeing competitive positioning of Program information systems support and strategy; (iv) reviewing fundamental changes in the operation of the Program; and (v) all other matters that the Parties agree should be reviewed by the Executive Committee. The Executive Committee shall consist of four (4) members, with two (2) members appointed by each of FDS and Bank and reasonably acceptable to each other. Each Party shall have the right to remove or replace its appointees for any reason and at any time, and to fill any vacancy with respect to its appointees. The initial appointees to the Executive Committee of each Party shall be determined prior to the Effective Date. The Executive Committee shall meet (in person or by telephone or video conference) quarterly or at such other intervals and at places as may be decided by the members of the Executive Committee; provided, that either FDS Bank or Bank may call a meeting of the Executive Committee by delivery of at least thirty (30) Business Days’ prior written notice to the other Party (which written notice may be waived by written agreement of all members of the Executive Committee) containing the purpose, time and place of the meeting. The members of the Executive Committee shall appoint an acting chairman and adopt such other rules for the conduct of meetings as are agreed upon from time to time. The Executive Committee shall be subject, *mutatis mutandis*, to the same voting and records provisions of the Operating Committee set forth in Section 3.2 above.

3.4 Program Relationship Managers; Partner Program Team.

(a) Bank and the FDS Companies shall each appoint one Program relationship manager (each, a “Manager”; the appointee of the FDS Companies, the “FDS Manager”; and the appointee of Bank, the “Bank Manager”). The FDS Manager and the Bank Manager shall be the leaders of their respective teams and they and their teams shall conduct their responsibilities in accordance with the terms of this Agreement. The FDS Companies and Bank shall endeavor to provide stability and continuity in the Manager positions and Bank’s other Program personnel.

(b) The initial FDS Manager shall be determined prior to the Effective Date.

(c) The initial Bank Manager and the member of Bank's senior management to whom the Bank Manager reports shall be determined prior to the Effective Date. The Bank Manager's performance-based compensation shall be based upon the Program Objectives and other specific annual targets and objectives, including Program profitability targets. Prior to appointing a new Bank Manager, Bank will (i) provide FDS an opportunity to meet the proposed candidate, (ii) consult with FDS and permit FDS an opportunity to provide input and express its views as to the proposed candidate and (iii) give due consideration to FDS's input and views as to the appointment of the new Manager. With respect to future Bank Manager candidates, Bank shall seek to propose candidates with substantial Program-relevant experience, including (i) substantial Credit Card industry experience and/or (ii) experience with the department store industry, and/or comparable customer demographics and/or loyalty programs.

(d) Prior to appointing a new Manager, the FDS Companies will (i) provide Bank an opportunity to meet the proposed candidate, (ii) consult with Bank and permit Bank an opportunity to provide input and express its views as to the proposed candidate and (iii) give due consideration to Bank's input and views as to the appointment of the new Manager.

(e) Bank shall maintain a Program team having expertise and experience commensurate with a Credit Card program of the size and nature of the Program. Neither the Bank Manager nor any senior member of Bank's Program team that is or was a leader of Bank's risk management, finance, decision management or marketing Program groups shall be reassigned to any program operated by Bank or any of its Affiliates pursuant to any agreement or arrangement with any retailer listed on Schedule 2.5 within twelve (12) months of the date that such person last worked on the Program.

ARTICLE IV

PROGRAM OPERATIONS

4.1 Operation of the Program.

(a) Each of the Parties hereto shall perform its obligations under this Agreement (i) in compliance with the terms and conditions of this Agreement (including any policies, procedures and practices adopted pursuant to this Agreement), (ii) in good faith, and (iii) in a manner consistent with the Program Objectives and any annual targets and objectives set by the Operating Committee from time to time.

(b) The initial Operating Procedures applicable to various aspects of the operation of the Program are attached hereto as Schedule 4.1(b). Changes to such Operating Procedures shall only be made with the approval of the Operating Committee.

(c) Except as expressly provided otherwise in this Agreement, Bank shall use commercially reasonable efforts to ensure that the personnel and other resources (including Systems and other technology resources) devoted by Bank to the Program shall be appropriate for a program of the size and nature contemplated by this Agreement.

4.2 Certain Responsibilities of the FDS Companies.

(a) In addition to its other obligations set forth elsewhere in this Agreement, FDS Bank agrees that during the Term it shall, in its capacity as FDS Servicer (either itself or through the Affiliate(s) to which it subcontracts the relevant functions), take the following actions all in accordance with the Risk Management Policies and the Operating Procedures:

- (i) as provided in Sections 7.2 and 7.3, maintain a System to process Credit Card Applications, service the Accounts and effect customer service;
- (ii) as provided in Sections 7.2 and 7.3, maintain call centers to respond to inquiries from Cardholders and to deal with billing related claims and adjustments (including by making finance charge and late fee reversals and rebates), establish new Accounts or Account types, authorize transactions, and assign, increase and decrease credit lines;
- (iii) as provided in Sections 7.2 and 7.3, provide Account monitoring services, including identifying delinquencies, implementing collection efforts, implementing credit-line adjustments, over limit authorizations and Account deactivation or cancellation;
- (iv) as provided in Sections 7.2 and 7.3, handle early stage collection and recovery efforts in respect of Accounts delinquent no more than ninety (90) days as set forth on, and in accordance with, Schedule 4.2(a)(iv) ("Early Age Collection");
- (v) deliver Monthly Settlement Sheets, Quarterly Settlement Sheets and Year-End Settlement Sheets in accordance with this Agreement, including, in each case the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period; and
- (vi) until the Services Transition Date, perform the Interim Services.

(b) In addition to their other obligations set forth elsewhere in this Agreement, the FDS Companies agree that during the Term they shall:

- (i) solicit new Accounts through in-store instant credit procedures (in accordance with this Agreement) and display of Solicitation Materials (or Credit Card Applications) in the FDS Channels pursuant to the Marketing Plan;
- (ii) implement and administer the Marketing Plan in accordance with this Agreement;
- (iii) pay sales associate compensation relating to the solicitation of new Accounts;
- (iv) receive In-Store Payments, subject to reimbursement to Bank and reimbursement from Bank for the processing of such payments as provided in this Agreement;

(v) deliver to Bank accounting data feeds, including data relating to Cardholder Indebtedness, finance charges billed and charge-offs, and other financial and statistical information as may be reasonably requested by Bank for financial reporting and securitization purposes and in connection with the exercise and performance of its rights and obligations under this Agreement, such data feeds and other information to be delivered electronically and in a form to be mutually agreed; and

(vi) implement the Transition Plan in a timely manner.

4.3 Certain Responsibilities of Bank.

(a) In addition to the other obligations set forth elsewhere in this Agreement, Bank agrees that during the Term it shall:

(i) subject to Article III and Section 4.6, establish and implement all Risk Management Policies;

(ii) fund all Program Expenses as provided in this Agreement;

(iii) use Bank's and Bank's Affiliates' data and data resources to support the Program and increase sales of FDS Goods and Services as provided in Section 5.4(a);

(iv) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, process remittances from Cardholders;

(v) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, prepare, process and mail Credit Card Documentation, Inserts, privacy policy notices, change in terms notices and other communications to Cardholders, and provide the FDS Companies with adequate supplies of Credit Card Applications;

(vi) fund all Cardholder Indebtedness on the Accounts;

(vii) extend credit on newly originated and existing Accounts and offer the Value Propositions with respect to those Accounts as are provided for pursuant to this Agreement;

(viii) comply with the terms of the Credit Card Agreements, the Program Privacy Policies and all Cardholder opt-ins and opt-outs;

(ix) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, handle collection and recovery efforts in respect of Accounts other than Early Age Collection efforts;

(x) maintain the mainframe credit system and the call center client service systems, in each case to the extent FDS's Systems are not used; and

(xi) implement the Transition Plan in a timely manner.

4.4 Ownership of Accounts.

(a) Except to the extent of the FDS Companies' ownership of the FDS Licensed Marks and the options to purchase Program Assets under Sections 2.4 and 16.2, CEBA Bank shall be the sole and exclusive owner of all Accounts (including the Purchased Accounts), Cardholder Indebtedness and Account Documentation. All purchases by Cardholders that are charged on the Accounts and the Cardholder Indebtedness shall create a relationship of debtor and creditor between the Cardholders and Bank, respectively. None of the FDS Companies or their Affiliates shall be considered a creditor with respect to any Account or the Gross Receivables arising thereunder.

(b) Except as expressly provided herein (including Section 9.3), Bank shall be entitled to (i) receive all payments made by Cardholders on Accounts, (ii) retain for its account all Cardholder Indebtedness and all other fees and income authorized by the Credit Card Agreements and collected with respect to the Accounts and Cardholder Indebtedness, and (iii) retain for its account all income from selling Approved Ancillary Products.

4.5 Branding of Accounts/Credit Cards/Credit Card Documentation/Solicitation Materials.

(a) The Credit Card Documentation, the FDS Credit Cards and the Solicitation Materials shall be in the design and format proposed by the FDS Companies and approved by the Operating Committee; provided that, to the extent subject to Bank's final authority, Bank shall be responsible for ensuring that the Credit Card Documentation, the FDS Credit Cards and the Solicitation Materials comply with Applicable Law and for ensuring that the FDS Credit Cards and the Solicitation Materials comply with the Credit Card Documentation. Unless otherwise agreed by the Parties, Billing Statements with respect to Co-Branded Credit Cards shall be designed to separately reflect in two (2) separate Billing Statements (i) information with respect to the associated Private Label Account and (ii) information with respect to the associated General Purpose Account.

(b) Bank shall bear the costs and expenses of development and delivery of the Credit Card Documentation, FDS Credit Cards and Solicitation Materials, which shall be Program Expenses.

(c) The applicable FDS Licensed Marks shall appear prominently on (i) the face of the FDS Credit Cards issued or renewed after the Effective Date, (ii) the Credit Card Documentation created after the Effective Date and (iii) the Solicitation Materials created after the Effective Date. Unless otherwise agreed by the Operating Committee, the FDS Credit Cards, the Credit Card Documentation and the Solicitation Materials shall not bear Bank Licensed Marks; provided, however, that Bank's name shall appear (i) on the back of the FDS Credit Cards issued or renewed after the Effective Date, (ii) on the Credit Card Documentation created after the Effective Date and (iii) on the Solicitation Materials created after the Effective Date, in each case to identify Bank as the credit provider under the Program, together with any other disclosures required by Applicable Law.

4.6 Underwriting and Risk Management.

(a) Subject to Section 2.1 with respect to Prepaid Employee Accounts, Bank shall accept or reject any Credit Card Application based solely upon application of the then-current Risk Management Policies. Upon satisfaction of the applicable credit criteria set forth in the Risk Management Policies, Bank shall promptly establish a Private Label Credit Account and/or a General Purpose Account, as applicable. The Credit Card types to be associated with such Accounts shall be established in accordance with the terms of the Loyalty Programs and the Risk Management Policies. Bank shall have the right, power and privilege to review periodically the creditworthiness of Cardholders to determine the range of credit limits to be made available to individual Cardholders and whether or not to suspend or terminate credit privileges of such Cardholders; provided, however, that Bank shall only decrease credit limits or suspend or terminate credit privileges on an individual Account basis consistent with the then current Risk Management Policies and in a manner consistent with Article III and this Section 4.6.

(b) The initial Risk Management Policies to be in effect as of the Effective Date are attached hereto as Schedule 4.6(b). Each Party may propose modifications of any aspect of the Risk Management Policies, which modifications shall be made only in accordance with Article III.

(c) The Program shall be operated throughout the Term to achieve the targets set forth in Schedule 4.6(c)(ii). In the case of any inconsistency between the terms of Schedule 4.6(c)(i) and (ii), the terms of Schedule 4.6(c)(ii) shall control. If the targets set forth in Schedule 4.6(c)(ii) are not achieved with respect to any measurement period set forth on Schedule 4.6(c)(ii) with respect to the applicable target, the actions set forth on Schedule 4.6(c)(iii) shall apply.

(d) In the event of a change in (i) the applicable through-the-door population or individual segment performance (as measured by validated scores or generally accepted, data driven credit risk metrics), (ii) industry wide performance expectations or (iii) Applicable Law, the Operating Committee shall consider and approve any changes to Schedules 4.6(c)(i) and 4.6(c)(ii) and shall preserve the targets or alternative targets, as appropriately and mutually agreed, and remedies set forth in such schedules, but after taking into account the relevant change referred to in clause (i), (ii) or (iii).

(e) Within fifteen (15) days after the end of each Fiscal Month, Bank shall report to FDS Bank, in a mutually agreed upon format, the applicable metrics with respect to each of the targets set forth on Schedule 4.6(c)(ii) during such Fiscal Month (it being understood that the measurement period to determine any penalties associated with such targets under Schedule 4.6(c)(ii) may exceed one Fiscal Month). During the period in which Interim Services are being provided, reporting will be prepared by FDS Bank and the Parties agree to use FDS Bank generated reporting for review of the applicable metrics with respect to each of the targets set forth on Schedule 4.6(c)(ii) until such time as Bank has the necessary access to such data.

(f) To the extent that the changes implemented as referenced in Schedule 11.1(g) result in substandard performance, such changes, with Operating Committee approval, will be reversed upon demonstration of such substandard performance. Additionally, upon such reversal, the applicable targets in Schedule 4.6(c)(ii) shall be revised as appropriate.

(g) Bank shall use commercially reasonable efforts to perform all necessary security functions to minimize fraud in the Program due to lost, stolen or counterfeit cards and fraudulent applications. Each of the FDS Companies agrees to use commercially reasonable efforts to cooperate with Bank in such functions.

4.7 Cardholder Terms.

(a) The terms and conditions of all Purchased Accounts and of all new Accounts originated on and after the Effective Date shall be the terms and conditions applicable to the Account type immediately prior to the Effective Date, including the terms and conditions set forth on Schedule 4.7; provided, however, that changes to the terms and conditions of the Accounts may be made only in accordance with Article III.

(b) Except as otherwise agreed by FDS, the card association for all Co-Branded Credit Cards shall be Visa International Inc. and Visa U.S.A. Inc. or any successor thereto. Except as otherwise approved by the Operating Committee, Bank (or CEBA Bank to the extent that Bank has assigned this Agreement to CEBA Bank pursuant to Section 18.2) shall be, at all times during the Term, a Participating Member in the VISA Partnership Program, or any successor thereto.

(c) Unless otherwise agreed by the Parties, (i) the account numbers, BINs and expiration date of all FDS Accounts shall remain the same after the Effective Date, (ii) the account numbers, BINs and expiration date of all GE/Macy's Accounts shall remain the same after the Second Closing Date, and (iii) the account numbers, BINs and expiration date of all May Accounts shall remain the same after the Third Closing Date

4.8 Value Propositions.

(a) Loyalty Programs. All elements of the Star Rewards and Insider Loyalty Programs, as set forth on Schedule 4.8(a) (the "Loyalty Programs"), shall remain in effect and shall be honored by the Parties unless modified by approval of the Operating Committee. Bank shall be responsible for funding all aspects of the Loyalty Programs, as more fully set forth in Schedule 4.8(a), except that FDS shall be responsible for funding the portion of Redeemed Rewards set forth in Schedule 4.8(a).

(b) Payment Plans. Bank shall offer and support the payment plans set forth on Schedule 4.8(b)(i) and, subject to the limitations set forth in this Section 4.8(b), the cost of maintaining such payment plans shall be borne by Bank. Within ten (10) calendar days after the end of each Fiscal Quarter, the FDS Servicer (or following the Systems Transition Date, Bank) shall provide to the other Parties a report setting forth, for such preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter: (i) Average Private Label Receivables and (ii) Average Private Label Interest Free Receivables. If the dollar amount of Average Private Label Interest Free Receivables as a percentage of Average Private Label Receivables for such preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter exceeds the percentage threshold set forth in Schedule 4.8(b)(ii), FDS shall make the applicable cash payment to Bank as set forth in Schedule 4.8(b)(ii) for the actual number of days in such Fiscal Quarter calculated on the basis of a 360-day year, which cash payment shall be excluded from the calculation of Pre-Tax Profit. If the dollar amount of Average Private

Label Interest Free Receivables as a percentage of Average Private Label Receivables for the preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter is less than the percentage threshold set forth in Schedule 4.8(b)(ii), Bank shall make the applicable cash payment to FDS as set forth in Schedule 4.8(b)(ii) for the actual number of days in such Fiscal Quarter, calculated on the basis of a 360-day year, which cash payment shall be excluded from the calculation of Pre-Tax Profit. The Parties shall negotiate in good faith to adjust the foregoing provisions of this Section 4.8(b) to appropriately reflect the impact of the addition of the May Accounts to the Program as set forth in Schedule 4.8(b)(ii). No such negotiations shall be deemed to constitute an attempt to renegotiate the May Purchase Price under the Purchase Agreement or otherwise affect the Parties' rights thereunder.

(c) Cardholder Discounts. The FDS Companies may provide discounts to Cardholders from time to time; provided the cost of such discounts are borne by the FDS Companies either through POS markdowns or in accordance with the procedures set forth in Section 8.4.

(d) Changes to Value Propositions. The terms and conditions of the Value Propositions set forth in this Section 4.8, and the Parties' related responsibilities in respect thereof, may be modified solely with the approval of the Operating Committee in accordance with Article III.

(e) Value Proposition Support. Except to the extent performed as part of the services provided by the FDS Servicer prior to the Systems Transition Date, Bank shall be responsible for accounting and servicing of all rewards under the Value Propositions associated with the Program (including with respect to Loyalty Programs, in accordance with the eligibility criteria for each Loyalty Program), such as printing certificates on monthly Billing Statements and rewards summaries. All Value Proposition testing existing as of the Effective Date shall be supported by the Program. Bank shall continue to honor any accrued benefits to customers accrued prior to the Effective Date in connection with such Value Propositions (subject to the reimbursement and other financial obligations of the FDS Companies set forth above in this Section 4.8).

4.9 Participation in Reversals.

(a) Reporting of Reversals. Each Quarterly Settlement Statement shall set forth a calculation of the applicable Finance Charge Reversal Percentage and Late Fee Reversal Percentage for the preceding Fiscal Quarter and such other calculations as are necessary to calculate the payment in respect thereof to be made by the Parties pursuant to this Section 4.9. All amounts payable pursuant to this Section 4.9 (i) shall be netted against each other so that only a single payment shall be made pursuant to this Section 4.9 and (ii) shall be excluded from the calculation of Pre-Tax Profit.

(b) Finance Charge Reversals.

(i) Private Label Accounts. If the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts reflected in the Quarterly Settlement Statement with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all finance charges assessed on the Private Label Accounts during such preceding Fiscal Quarter. If the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts, multiplied by (B) the aggregate amount of all finance charges assessed on the Private Label Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Private Label Accounts.

(ii) General Purpose Accounts. If the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts reflected in the Quarterly Settlement Statement with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all finance charges assessed on the General Purpose Accounts during such preceding Fiscal Quarter. If the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts, multiplied by (B) the aggregate amount of all finance charges assessed on the General Purpose Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the General Purpose Accounts.

(c) Late Fee Reversals.

(i) Private Label Accounts. If the Late Fee Reversal Percentage solely with respect to the Private Label Accounts reflected in the Quarterly Settlement Sheet with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Late Fee Reversal Percentage solely with respect to the Private Label Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all late fees assessed on the Private Label Accounts during such preceding Fiscal Quarter. If the Late Fee Reversal Percentage solely with respect to the Private Label Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Late Fee Reversal Percentage solely with respect to the Private Label Accounts, multiplied by (B) the aggregate amount of all late fees assessed on the Private Label Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Private Label Accounts.

(ii) General Purpose Accounts. If the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts reflected in the Quarterly Settlement Sheet with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all late fees assessed on

the General Purpose Accounts during such preceding Fiscal Quarter. If the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts, multiplied by (B) the aggregate amount of all late fees assessed on the General Purpose Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the General Purpose Accounts.

(d) Adjustments. Prior to the Third Closing Date, the Parties shall negotiate in good faith to adjust Sections 4.9(b) and (c) (including the High Collars and the Low Collars) to appropriately reflect the impact of the addition of the May Accounts to the Program. No such negotiations shall be deemed to constitute an attempt to renegotiate the May Purchase Price under the Purchase Agreement or otherwise affect the Parties rights thereunder.

4.10 Sales Taxes. FDS and its Subsidiaries shall remit when due any sales taxes relating to the sale of FDS Goods and Services that have been charged to an Account. Unless the FDS Servicer has access to such information in connection with its services hereunder, Bank shall provide the FDS Companies on a monthly basis (based upon Fiscal Months) with a detailed description of all Net FDS Write-offs and shall sign such forms and provide any such other information as requested by FDS to enable FDS and its Subsidiaries to recover any Sales Tax Refunds. Except as expressly provided in this Section 4.10, Bank acknowledges and agrees that it shall not, directly or indirectly, seek to claim or recover any amount by way of a Sales Tax Refund. Bank agrees that, to the extent the laws of any jurisdiction would permit Bank or any of its Affiliates to elect or designate the party entitled to receive Sales Tax Refunds, Bank shall, and shall cause its Affiliates to, take all steps necessary to enable and permit FDS or any of its appropriate Affiliates to elect to receive the Sales Tax Refunds. Further, Bank agrees that, to the extent the Applicable Law of any jurisdiction would permit Bank or any of its Affiliates, but not the FDS Companies or any of their Affiliates, to receive Sales Tax Refunds, Bank shall, and shall cause its Affiliates to, take all steps necessary to receive the Sales Tax Refunds, except to the extent that taking any such steps would reasonably be likely to create any tax obligation or liability of Bank or its Affiliates. Whenever Bank or any of its Affiliates are applying for Sales Tax Refunds in accordance with the preceding sentence, (a) Bank shall promptly notify FDS of the application for Sales Tax Refunds, and (b) FDS and its Subsidiaries shall provide such information reasonably requested by Bank to enable Bank, or any of its Affiliates, to recover any such Sales Tax Refunds. FDS shall pay to Bank an amount equal to Sales Tax Refunds received by FDS and its Subsidiaries, net of an amount equal to the FDS Companies' reasonable out-of-pocket costs incurred in connection with obtaining such Sales Tax Refunds (it being understood that if the reasonable out-of-pocket costs incurred by the FDS Companies or any of their Affiliates to obtain such Sales Tax Refunds exceeds the amount of Sales Tax Refunds actually obtained, then any such excess amounts shall be treated as Program Expenses). All Sales Tax Refunds received by Bank or any of its Affiliates shall be treated as income of the Program. In the event FDS or any of its Subsidiaries is audited or assessed by a taxing authority, and as a result any Sales Tax Refunds, or any interest or penalties with respect thereto, is repaid to such taxing authority, Bank shall repay such amount to FDS, and such amount shall be treated as a reduction of Program income in the next Monthly Settlement Sheet for the Program. Bank and its Affiliates also shall fully cooperate in any such audit or assessment.

ARTICLE V

MARKETING

5.1 Promotion of Program. In accordance with the Marketing Plan, Bank and the FDS Companies shall cooperate with each other and actively support and promote the Program to both existing and potential Cardholders.

5.2 Marketing Commitment.

(a) The FDS Marketing Commitment shall be used by FDS and its Affiliates in accordance with the Marketing Plan for any of the following marketing purposes:

- (i) new Credit Card Applications;
- (ii) POS brochures;
- (iii) new Account membership kits;
- (iv) the allocated costs incurred by the FDS Servicer for its use of FedCustomer;
- (v) FDS division incentive programs (other than special promotion incentive funds (“SPIFs”) paid to sales associates, which shall be paid from amounts reimbursed pursuant to Schedule 9.3(a));
- (vi) solicitations to Private Label Credit Card Cardholders offering Co-Branded Credit Cards;
- (vii) Inserts, to the extent designed to stimulate usage of FDS Credit Cards;
- (viii) loyalty program testing; and
- (ix) other marketing activities of the type performed by FACS prior to the Effective Date.

(b) Each Monthly Settlement Sheet shall set forth an accounting of the costs incurred, if any, by FDS and its Affiliates in the prior Fiscal Month which may be paid out of the FDS Marketing Commitment and Bank shall (i) reimburse the FDS Companies from the FDS Marketing Commitment for such amounts as provided in Section 9.3 (or, in the event Bank or any other third party conducts any of the above-referenced activities or provides any of the above-referenced services at the request of FDS Bank, upon request of FDS Bank shall retain or pay to the applicable third party the amounts payable in respect of such activities or products) and (ii) reduce the amount remaining in the FDS Marketing Commitment by the amount so reimbursed, retained or paid. To the extent that the expenditures of the FDS Marketing Commitment by FDS and its Affiliates in any Fiscal Year exceed the amount in the FDS Marketing Commitment, the FDS Companies shall be entitled to reimbursement from the FDS Marketing Commitment for the following Fiscal Year of such expenditures to the extent they do not exceed (in the aggregate) ten percent (10%) of the Marketing

Commitment for the following Fiscal Year (without Operating Committee approval). Any amount in the FDS Marketing Commitment for a given Fiscal Year that is not spent in that Fiscal Year, at the direction of the Operating Committee, either (i) shall remain available for use during the Term; or (ii) if the Operating Committee determines that such amount shall not be used for the Program, shall be included as income in the calculation of Pre-Tax Profit in the next Year-End Settlement Sheet prepared following such determination.

(c) The Additional Marketing Commitment shall be used as set forth in the Marketing Plan and as otherwise directed by the Operating Committee from time to time. The FDS Companies and Bank shall each provide to the other for inclusion in the Monthly Settlement Sheet, an accounting of such Party's and its Affiliates' use of the Additional Marketing Commitment in the prior Fiscal Month, and Bank shall reimburse the FDS Companies for such amounts used by FDS and its Affiliates, and shall reduce the amount remaining in the Additional Marketing Commitment by the amounts used by Bank and its Affiliates. Any amount in the Additional Marketing Commitment for a given Fiscal Year that is not spent in that Fiscal Year, at the direction of the Operating Committee, either (i) shall remain available for use during the Term or (ii) if the Operating Committee determines that such amount shall not be used for the Program, shall be included as income in the calculation of Pre-Tax Profit in the next Year-End Settlement Sheet prepared following such determination.

(d) Except as otherwise provided in Section 5.2(b), any proposed expenditure in excess of the remaining FDS Marketing Commitment for any Fiscal Year or in excess of the Additional Marketing Commitment for any Fiscal Year shall require the prior approval of the Operating Committee (which at the time of granting any such approval shall approve the treatment of such excess expenditures).

(e) For the avoidance of doubt, neither the FDS Marketing Commitment nor (except as otherwise expressly provided in Section 5.4) the Additional Marketing Commitment shall be used to fund the activities described in Section 5.4 or any other marketing initiatives approved by the Operating Committee pursuant to a Marketing Plan that allocates such costs to Bank.

5.3 Communications with Cardholders.

(a) FDS Inserts. FDS and its Affiliates shall have the exclusive right to communicate with Cardholders, except for any Legally Required Communication, through use of inserts, fillers and bangtails (which shall be included on all billing envelopes) (collectively, "Inserts"), including Inserts selectively targeted for particular classes of Cardholders, in any and all Billing Statements (including electronic Billing Statements) and envelopes, subject to production requirements contained in the Operating Procedures and Applicable Law. Except as otherwise provided in the Marketing Plan, and except for Inserts required by Applicable Law (which shall be paid for by Bank and shall be deemed Program Expenses, except to the extent otherwise provided in Section 11.4(g)), the FDS Companies shall be responsible for the content of, and the cost of preparing and printing, any such Inserts (provided that in the case of "bangtails" such costs shall be limited to the direct costs (without any overhead allocation) incurred by Bank in producing such bangtails). Subject to Section 11.4(g), if the insertion of Inserts in particular Billing Statements would increase the postage costs for such Billing Statements, the FDS Companies agree to either pay for the incremental postage cost or prioritize the use of Inserts to

avoid postage cost over-runs. The FDS Companies shall retain all revenues they receive from all Inserts (other than any Inserts promoting the FDS Credit Cards or Approved Ancillary Products that the FDS Companies may permit to be produced and distributed in accordance with the Marketing Plan).

(b) Billing Statement Messages. FDS and its Affiliates shall have the exclusive right to use Billing Statement (including electronic Billing Statement) messages and Billing Statement envelope (or electronic mail) messages in each Billing Cycle to communicate with Cardholders, subject to production requirements contained in the Operating Procedures and Applicable Law. Such messages shall be included at no cost to the FDS Companies. Notwithstanding the foregoing, subject to Section 11.4(g), any message required by Applicable Law shall take precedence over FDS's and its Affiliates' messages.

5.4 Additional Marketing Support.

(a) Upon the reasonable request of FDS from time to time, Bank shall perform or cause the performance of the marketing functions set forth on Schedule 5.4(a) at no cost or expense to the FDS Companies (and the cost and expense of performing such functions shall not constitute Program Expenses); provided, however, that, notwithstanding the foregoing, the FDS Companies shall be responsible for all out-of-pocket third party costs and expenses relating to the production of marketing materials and mailing services (which costs and expenses the FDS Companies may fund from amounts in the Additional Marketing Commitment).

(b) Following the Effective Date, upon FDS's request, Bank shall retain a mutually agreed upon third party to conduct surveys of Cardholder perception and satisfaction on a regular, periodic basis consistent with the practices of the FDS Companies prior to the Effective Date but in no event less frequently than annually (it being understood that the costs associated with the preparation of such surveys shall be treated as paid from the Additional Marketing Commitment). Such surveys shall be in a form and employ methodologies developed in consultation with the FDS Companies and shall provide for a level of information that is at a minimum substantially similar to the information gathered by the FDS Companies prior to the Effective Date. Bank shall make available to the FDS Companies the results of such surveys as well as all associated work papers promptly following completion thereof.

5.5 Ancillary Products. Except for the Approved Ancillary Products and the FDS Credit Cards, Bank and its Affiliates shall not offer (except as directed by the FDS Companies) any goods or services (including any Ancillary Products) to Cardholders or through the Program. Bank may from time to time propose to the Operating Committee that Bank be permitted to solicit through mailings, Billing Statements, Inserts, telemarketing or otherwise, any or all Cardholders for a specific Ancillary Product. If the Operating Committee agrees to permit such solicitations, such solicitations shall be permitted on the terms set by the Operating Committee and the Parties shall be compensated as set forth in 0 hereof.

5.6 Marketing Plan.

(a) On an annual basis, the FDS Companies shall develop, in consultation with Bank, a marketing plan for the Program that outlines the objectives, strategies and general tactics for marketing the Program for the applicable Fiscal Year (the "Marketing Plan"). In addition, each Marketing Plan shall (i) include a budget and indicate the anticipated source of funds for each budgeted item and (ii) outline marketing responsibilities of the Parties. The initial Marketing Plan to be in effect as of the Effective Date and until January 28, 2006 is attached hereto as Schedule 5.6.

(b) FDS shall submit the Marketing Plan for each Fiscal Year to the Operating Committee at least thirty (30) days prior to beginning of the Fiscal Year to which such Marketing Plan relates. FDS shall have the right to change an approved Marketing Plan in its sole discretion; provided that any material modification to an approved Marketing Plan shall require the approval of the Operating Committee.

ARTICLE VI

CARDHOLDER INFORMATION

6.1 Customer Information.

(a) All sharing, use and disclosure of Cardholder Data and FDS Shopper Data under this Agreement shall be subject to the provisions of this 0. The Parties acknowledge that the same or similar information may be contained in the Cardholder Data, the FDS Shopper Data, and other data and that each such pool of data shall therefore be considered separate information subject to the specific provisions applicable to that data hereunder.

(b) Each Party to the extent it possesses Cardholder Data, and Bank to the extent it possesses FDS Shopper Data, shall maintain an information security program that is designed to meet the objectives of the Interagency Guidelines Establishing Information Security Standards as issued by the Office of the Comptroller of the Currency in the OCC Bulletin, OCC 2005-13 (12 C.F.R. § 30) and by the Office of Thrift Supervision (12 C.F.R. § 570, Appendix B) (collectively, the "Guidelines"), including, at a minimum, maintenance of an information security program that is designed to: (i) ensure the security and confidentiality of the Cardholder Data and the FDS Shopper Data; (ii) protect against any anticipated threats or hazards to the security or integrity of the Cardholder Data and the FDS Shopper Data; (iii) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data and the FDS Shopper Data; and (iv) ensure the proper disposal of Cardholder Data and FDS Shopper Data. Additionally, such security measures shall meet current industry standards and shall be at least as protective as those used by each Party to protect its other confidential customer information. Each Party shall use the same degree of care in protecting the Cardholder Data and the FDS Shopper Data against unauthorized disclosure as it accords to its own confidential customer information, but in no event less than a reasonable standard of care. In particular, Bank shall treat FDS Shopper Data as if it were "customer information" for purposes of the regulations above. In the event a Party becomes aware of any unauthorized use, modification, destruction or disclosure of, or access to, Cardholder Data, such Party shall immediately notify the other Party and shall cooperate with the other Party, as they deem necessary or as required by Applicable Law, (x) to assess the nature and scope of such incident, (y) to contain and control such incident to prevent further unauthorized access to or use of Cardholder Data, and (z) to provide prompt notice to affected

Cardholders. In the event Bank becomes aware of any unauthorized use, modification, destruction or disclosure of, or access to, FDS Shopper Data, Bank shall immediately notify the FDS Companies and shall cooperate with them, as they deem necessary or as required by Applicable Law, (x) to assess the nature and scope of such incident, (y) to contain and control such incident to prevent further unauthorized access to or use of FDS Shopper Data, and (z) to provide prompt notice to affected FDS Shoppers. The cost and expenses of any such notice shall be borne solely by the Party that experienced the unauthorized use, modification, destruction or disclosure of, or access to, Cardholder Data or FDS Shopper Data and such costs and expenses shall not be Program Expenses.

(c) The Parties agree that for all purposes of Applicable Law relevant to the sharing, use and disclosure of Cardholder Data and FDS Shopper Data pursuant to this Article VI, FDS and its Subsidiaries shall each be considered “affiliates” of CEBA Bank as such term is used in the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, any similar provision of state law and any implementing regulations adopted thereunder (it being understood that nothing in this Agreement shall constitute FDS and its Subsidiaries, on the one hand, and Citibank, N.A., on the other hand, Affiliates of each other for such purposes).

6.2 Cardholder Data.

(a) As among the Parties hereto, the Cardholder Data shall be the property of and exclusively owned by CEBA Bank.

(b) The privacy notice provided to Cardholders pursuant to the Gramm-Leach-Bliley Act constituting part of the Program Privacy Policy shall be in the form attached hereto as Schedule 6.2(b). Any changes to such privacy notice or to the Program Privacy Policy described therein shall be made only in accordance with Article III.

(c) Bank shall not use, or permit to be used, the Cardholder Data, except as provided in this Section 6.2. Bank may use the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely (i) for purposes of soliciting, marketing or servicing (in each case, solely as directed by the FDS Companies or the Operating Committee) customers listed in the Cardholder Data for FDS Credit Cards, Approved Ancillary Products, and any other products and services approved by the Operating Committee, (ii) as otherwise necessary to carry out its obligations or exercise its rights hereunder (including its rights to use such information as contemplated by Section 16.4), or (iii) as required by Applicable Law. Bank has no rights to use the Cardholder Data for marketing purposes except as expressly provided herein.

(d) Bank shall not disclose, or permit to be disclosed, the Cardholder Data, except as provided in this Section 6.2. Bank shall not, directly or indirectly, sell or otherwise transfer any right in or to the Cardholder Data other than to FDS or any of its Affiliates or to a Nominated Purchaser pursuant to Section 16.2. Bank may disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely:

(i) to its authorized subcontractors in connection with a permitted use of such Cardholder Data under this Section 6.2, provided that each such authorized subcontractor agrees in writing to maintain all such Cardholder Data as strictly confidential in perpetuity and not to use or disclose such information to any Person other than Bank or an FDS Company, except as required by Applicable Law or any Governmental Authority (after giving Bank and the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such authorized subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to meet the objectives of the Guidelines, including, at a minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of the Cardholder Data; (x) protect against any anticipated threats or hazards to the security or integrity of the Cardholder Data; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data; and (z) ensure the proper disposal of Cardholder Data; and provided, further, that each such authorized subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, Cardholder Data and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants with a need to know such Cardholder Data in connection with a permitted use of such Cardholder Data under this Section 6.2; provided that (A) any such Person is bound by terms substantially similar to this Section 6.2 as a condition of employment or of access to Cardholder Data or by professional obligations imposing comparable terms; and (B) Bank shall be responsible for the compliance by each such Person with the terms of this Section 6.2; or

(iii) to any Governmental Authority with authority over Bank (A) in connection with an examination of Bank; or (B) pursuant to a specific requirement to provide such Cardholder Data by such Governmental Authority or pursuant to compulsory legal process; provided that Bank seeks the full protection of confidential treatment for any disclosed Cardholder Data to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by Applicable Law, Bank (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to FDS if reasonably possible under the circumstances, and (2) seeks to redact the Cardholder Data to the fullest extent possible under Applicable Law governing such disclosure; or

(iv) to any consumer reporting agency in accordance with the federal Fair Credit Reporting Act.

(e) Subject to Applicable Law and the Program Privacy Policy, Bank shall transmit to the FDS Companies on a real-time basis throughout each day by a secure data feed into FDS Systems designated by FDS from time to time, in formats agreed to by the Parties in advance from time to time:

(i) for any customer who has applied for an FDS Credit Card, regardless of the marketing channel of such application: (A) the customer's name, address, email address, telephone number, social security number and all other information supplied on the application or prescreened response submitted by the customer; (B) an indication of whether or not the customer has been approved for an FDS Credit Card; and (C) if the customer has been approved for an FDS Credit Card, the FDS Credit Card issued (or to be issued) to such customer (i.e., specify the type of FDS Credit Card and the FDS Licensed Mark to be used on such FDS Credit Card);

(ii) for each Cardholder, joint-Cardholder and authorized buyer, (A) such person's name, address, email address, telephone number, social security number and Account number; (B) any reported change to any of the foregoing information; (C) transaction and experience data; and (D) any such other Cardholder Data as the FDS Companies may reasonably request;

(iii) the Cardholder's name and account number for any Account that is delinquent;

(iv) the Cardholder's name and account number for any Account that has been closed; and

(v) the Cardholder Data for all categories of information available on the FDS Companies' credit Systems as of the date hereof.

(f) Subject to Applicable Law and the Program Privacy Policy, Bank shall transmit by a secure data feed into FedCustomer (or other FDS Systems designated by FDS from time to time), in a format agreed to by the Parties, on an as billed basis, all information contained in the Billing Statements and all other Cardholder Data for all categories of information available on FedCustomer as of the date hereof (including, for each Cardholder, joint-Cardholder and authorized buyer, name, address, email address, telephone number, information as to creditworthiness and changes to any of the foregoing information).

(g) Bank shall reasonably cooperate with the FDS Companies to provide FDS and its Affiliates with the maximum ability permissible under Applicable Law and the Program Privacy Policy to receive, use and disclose the Cardholder Data, including, as reasonably necessary or appropriate, through use of consents, opt-in provisions or opt-out provisions, in each case as directed by the FDS Companies. Without limiting the foregoing, FDS and each of its Affiliates may receive, use and disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy (i) for purposes of promoting the Program or promoting FDS Goods and Services, (ii) as otherwise necessary to carry out its obligations under this Agreement, and (iii) as otherwise permitted by Applicable Law.

(h) The FDS Companies may use the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy. Each of the FDS Companies may disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely:

(i) to its existing subcontractors as of the Effective Date and to authorized subcontractors that enter into agreements with an FDS Company after the Effective Date ("Future Subcontractors") in connection with a permitted use of such Cardholder Data under this Section 6.2, provided that each such Future Subcontractor agrees in writing to maintain all such Cardholder Data as strictly confidential in perpetuity and not to use or disclose such information to any Person other than an FDS Company or Bank, except as required by Applicable Law or any Governmental Authority (after giving the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such Future Subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to meet the objectives of the Guidelines, including, at a

minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of the Cardholder Data; (x) protect against any anticipated threats or hazards to the security or integrity of the Cardholder Data; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data; and (z) ensure the proper disposal of Cardholder Data; and provided, further, that each such Future Subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, Cardholder Data and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants with a need to know such Cardholder Data in connection with a permitted use of such Cardholder Data under this Section 6.2; provided that (A) any such Person is bound by terms substantially similar to this Section 6.2 as a condition of employment or of access to Cardholder Data or by professional obligations imposing comparable terms; and (B) the FDS Companies shall be responsible for the compliance by each such Person with the terms of this Section 6.2; or

(iii) to any Governmental Authority with authority over such FDS Company (A) in connection with an examination of such FDS Company; or (B) pursuant to a specific requirement to provide such Cardholder Data by such Governmental Authority or pursuant to compulsory legal process; provided that such FDS Company seeks the full protection of confidential treatment for any disclosed Cardholder Data to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by Applicable Law, such FDS Company (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to Bank if reasonably possible under the circumstances, and (2) seeks to redact the Cardholder Data to the fullest extent possible under Applicable Law governing such disclosure.

(i) With respect to the sharing, use and disclosure of the Cardholder Data following the termination of this Agreement:

(i) the rights and obligations of the Parties under this Section 6.2 shall continue through any Termination Period;

(ii) if FDS exercises its rights under Section 16.2, Bank shall transfer its right, title and interest in the Cardholder Data to FDS or its Nominated Purchaser as part of such transaction, and Bank's right to use and disclose the Cardholder Data shall terminate upon the termination of the Termination Period; and

(iii) if FDS provides notice that it shall not exercise its rights under Section 16.2, FDS and its Affiliates' right to use and disclose the Cardholder Data hereunder shall terminate upon the termination of the Termination Period.

6.3 FDS Shopper Data; FDS Prospect List.

(a) Bank acknowledges that the FDS Companies gather information about purchasers of FDS Goods and Services and that FDS and its Affiliates have rights to use and disclose such information independent of whether such information also constitutes Cardholder Data. FDS acknowledges that Bank gathers information independent of the Program and that Bank and its Affiliates shall not be subject to any limitations in respect of their right to use and disclose such information notwithstanding that such information may be the same as any information included in the Cardholder Data or the FDS Shopper Data. Bank shall reasonably cooperate in the maintenance of the FDS Shopper Data and other data, including by incorporating in the Credit Card Application and Credit Card Agreement provisions mutually agreed to by the Parties pursuant to which applicants and Cardholders shall agree that they are providing their identifying information (including name, address, telephone number, email address and social security number) and all updates thereto to both Bank and FDS and its Affiliates. To the extent any Bank is the direct recipient of such data, it shall provide such data to the FDS Companies in such format and at such times as shall be agreed upon by the Operating Committee. As between the FDS Companies and Bank, all the FDS Shopper Data shall be owned exclusively by the FDS Companies. Bank acknowledges and agrees that it has no proprietary interest in the FDS Shopper Data.

(b) Subject to compliance with Applicable Law, FDS's privacy policies, the Marketing Plan and such criteria (including format) as may be mutually agreed to from time to time, the FDS Companies shall make available to Bank, free of charge, a list of customers of FDS and its Subsidiaries who the FDS Companies have determined are available to be solicited for Accounts under the Program (the "FDS Prospect List"). As between the FDS Companies and Bank, the FDS Prospect List shall be owned exclusively by the FDS Companies. Bank acknowledges it has no proprietary interest in the FDS Prospect List.

(c) Bank shall not use, or permit to be used, directly or indirectly, the FDS Shopper Data, except to transfer such data to the FDS Companies to the extent received by Bank. Bank shall not use, or permit to be used, the FDS Prospect List except as provided in this Section 6.3(c). Bank may use the FDS Prospect List in compliance with Applicable Law solely for purposes of soliciting customers listed in the FDS Prospect List for Accounts or as required by Applicable Law.

(d) Bank shall not disclose, or permit to be disclosed, the FDS Shopper Data or the FDS Prospect List, except as provided in this Section 6.3. Bank shall not, directly or indirectly, sell or otherwise transfer any right in or to the FDS Shopper Data or the FDS Prospect List (all such rights belonging exclusively to the FDS Companies). Bank may disclose the FDS Shopper Data and the FDS Prospect List in compliance with Applicable Law solely:

(i) to its authorized subcontractors in connection with a permitted use of such FDS Shopper Data or FDS Prospect List under this Section 6.3, provided that each such authorized subcontractor agrees in writing to maintain all such FDS Shopper Data or FDS Prospect List as strictly confidential in perpetuity and not to use or disclose such information to any Person other than a Bank or an FDS Company, except as required by Applicable Law or any Governmental Authority (after giving Bank and the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such authorized subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to meet the objectives of the Guidelines, including, at a minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of the FDS Shopper Data and FDS Prospect List; (x) protect against any anticipated

threats or hazards to the security or integrity of the FDS Shopper Data and FDS Prospect List; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the FDS Shopper Data and FDS Prospect List; and (z) ensure the proper disposal of FDS Shopper Data and FDS Prospect List; and provided, further, that each such authorized subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, FDS Shopper Data or FDS Prospect List and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants, with a need to know the FDS Shopper Data or FDS Prospect List in connection with a permitted use of the FDS Shopper Data or FDS Prospect List under this Section 6.3; provided that (A) any such Person is bound by terms substantially similar to this Section 6.3 as a condition of employment, of access to the FDS Shopper Data or FDS Prospect List or by professional obligations imposing comparable terms; and (B) Bank shall be responsible for the compliance by each such Person with the terms of this Section 6.3; or

(iii) to any Governmental Authority with authority over such Bank (A) in connection with an examination of such Bank; or (B) pursuant to a specific requirement to provide the FDS Shopper Data or FDS Prospect List by such Governmental Authority or pursuant to compulsory legal process; provided that Bank seeks the full protection of confidential treatment for any disclosed FDS Shopper Data or FDS Prospect List, as the case may be, to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by Applicable Law, Bank (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to FDS if reasonably possible under the circumstances, and (2) seeks to redact the FDS Shopper Data or FDS Prospect List to the fullest extent possible under Applicable Law governing such disclosure.

(e) Upon the termination of this Agreement, Bank's right to use and disclose the FDS Shopper Data and FDS Prospect List shall terminate. Promptly following such termination, Bank shall return or destroy all the FDS Shopper Data and FDS Prospect Lists and shall certify such return or destruction to the FDS Companies upon request.

ARTICLE VII

OPERATING STANDARDS

7.1 Reports. Each of Bank and the FDS Servicer shall provide to the Operating Committee and the other Party such reports as are mutually agreed to by the Parties from time to time and on the time schedule for delivery of such reports as shall be agreed by the Parties prior to the Effective Date. Unless otherwise required by FDS, all such reports shall be prepared on a Fiscal-Year reporting basis; provided, however, that the FDS Companies shall cooperate with Bank to provide such supplemental reporting as is reasonably necessary to accommodate Bank's calendar-basis reporting needs.

7.2 Servicing; Interim Servicing; Transition of Services at the Election of the FDS Companies.

(a) The FDS Companies shall perform the applicable servicing functions referenced in Section 4.2 in accordance with the terms and conditions of this Agreement, including the SLAs set forth in Schedule 7.3 (as such standards may be amended from time to time by the Operating Committee). Bank shall perform the applicable servicing functions referenced in Section 4.3 in accordance with the terms and conditions of this Agreement, including the SLAs established with respect thereto in accordance with Section 7.3 hereof (as such standards may be amended from time to time by the Operating Committee). Without limiting the foregoing, each of the FDS Companies and Bank shall service the Accounts in compliance with Applicable Law and with no less care and diligence than the degree of care and diligence employed by the FDS Companies prior to the Effective Date.

(b) Commencing on the Effective Date and ending on such date or dates as the Parties shall mutually agree to transfer one or more of the Interim Services to Bank, the FDS Companies shall perform the Interim Services in accordance with the foregoing requirements and the requirements of Section 7.3. At any time after the Effective Date, Bank may, upon mutual agreement of the Parties, commence performing any or all of the Interim Services in accordance with an appropriate and agreed upon transition plan.

(c) At any time following the first anniversary of the Effective Date, upon not less than ninety (90) days' prior written notice by FDS (or one hundred eighty (180) days' prior written notice if the Systems Transition Date has not yet occurred at the time of such notice), the FDS Companies shall be entitled to elect to transfer substantially all of the services then being performed by the FDS Companies pursuant to Section 4.2(a) to Bank (any such transfer, a "Total Servicing Transfer") if the Parties have substantially completed reasonable joint transition planning prior to the giving of such notice (or an additional ninety (90) days notice if the Parties have not substantially completed such planning; provided that the Parties shall cooperate to complete such planning within such ninety (90) day period). Following such Total Servicing Transfer, Bank shall be obligated to provide all such services in accordance with the terms of this Agreement and the FDS Companies shall thereafter be relieved of all obligations under this Article VII. Notwithstanding the foregoing, Bank shall not be obligated to undertake a Total Servicing Transfer until the System Transition Date has occurred. Upon any such Total Servicing Transfer, the payments made pursuant to Article IX shall be adjusted as set forth therein to take account of such Total Servicing Transfer.

(d) Without limiting the foregoing provisions of this Section 7.2, upon mutual agreement of the Parties from time to time following the Effective Date, the Parties may agree to transfer services on an individual basis at such times and upon such terms as the Parties may agree (such transition time, with respect to each individual Interim Service, the "Services Transition Date").

7.3 Service Level Standards.

(a) Within fifteen (15) days after the end of each Fiscal Month, the FDS Companies shall report to Bank, in a mutually agreed upon format, the FDS Companies' performance under each of the SLAs set forth on Schedule 7.3 during such Fiscal Month (it being understood that the measurement period to determine compliance with any SLA may exceed one Fiscal Month).

(b) The FDS Companies shall comply with SLAs set forth in Schedule 7.3; provided that such SLAs shall be amended from time to time to establish new SLAs and modify existing SLAs, in each case, as deemed appropriate by and with the approval of the Operating Committee for any reason, including (i) completion of the System conversion described in Section 7.4(a); (ii) changes in the Program; (iii) changes in industry-wide performance expectations with respect to any SLA; and (iv) change in Applicable Law.

(c) Without limiting the foregoing, prior to transitioning any service to Bank in accordance with the terms of this Agreement, whether pursuant to (i) an election by the FDS Companies, (ii) the cessation of any interim service being performed by the FDS Companies pursuant to Section 7.2(b) or (iii) a termination of any service upon an SLA breach permitting such termination of service as set forth in Schedule 7.3, the Operating Committee shall establish SLAs to be performed by Bank with respect to such transferred service, which new SLAs shall be deemed automatically applicable to Bank with respect to Bank's performance of such transferred services and which new SLAs shall provide for at least the minimum SLA standards provided for in Schedule 7.3 with respect to such service and/or such other higher SLA standards as are appropriate to reflect the service levels provided by Bank to other partner portfolios of a size, nature and customer base similar to the Program and consistent with current industry practices. Upon the transition of any service to Bank for which an SLA is applicable, Bank shall be obligated to deliver to the FDS Companies the reports described in Section 7.3 with respect to such SLAs within fifteen (15) days after the end of each Fiscal Month (and FDS's obligation to deliver such reports with respect to such services shall terminate).

(d) Notwithstanding anything to the contrary contained in Schedule 7.3, once a service is transferred to Bank pursuant to the terms of this Agreement, thereafter, the FDS Companies shall no longer be obligated to perform such services and shall not be obligated to assume responsibilities for such services for any reasons. Accordingly, upon the occurrence of any SLA failure by Bank that would have otherwise resulted in a requirement to transfer services to Bank had the FDS Companies been the Party providing such services, then, (i) the FDS Companies shall have the option to transition the service subject to the SLA failure from Bank back to the FDS Companies or an alternate service provider in accordance with Schedule 7.3 or (ii) if they elect not to transition such services, such SLA failure shall be deemed an Event of Default by Bank pursuant to Section 14.2(f) and FDS shall be entitled to exercise its termination rights pursuant to Section 15.2 in respect of such Event of Default.

(e) Each Party providing services hereunder shall maintain in effect during the Term a disaster recovery and business continuity plan that complies with Applicable Law and that is designed to ensure that Systems availability is consistent with the standards specified in Schedule 7.3. Each Party shall be prepared to and have the ability to implement such plan if necessary. Each Party shall provide the other with access to review such plan upon request. Each Party shall test its plan annually and shall promptly implement such plan upon the occurrence of a disaster or business interruption.

(f) Bank shall be excused from its failure to meet any applicable SLAs to the extent that such failure results from the FDS Systems or any acts or omissions of the FDS Companies. The FDS Companies shall be excused from their failure to meet any applicable SLAs to the extent that any such failure results from Bank's Systems or any acts or omissions of Bank.

7.4 Credit Systems.

(a) Subject to clause (b) of this Section 7.4, the master file of Accounts and all other Cardholder Data and other Program credit data shall remain on the FDS Systems for a minimum of one year after the Effective Date. Bank and the FDS Companies shall work together (including through a subcommittee of the Operating Committee formed for this purpose) to develop a mutually agreeable Systems conversion plan designed to convert such data to Bank Systems. Subject to the satisfaction of each of the requirements set forth in Section 7.4(b), at such time, if any, when both FDS and Bank are satisfied with the terms of such conversion plan and have concluded that such conversion will further the Program Objectives and provide cost efficiencies and features and functionality superior to those available on the FDS Systems without an unacceptable level of Program disruption, such conversion shall be implemented (the date of any such conversion the “Systems Transition Date”). Bank shall bear its costs and expenses associated with the Systems conversion and such expenses shall not constitute Program Expenses. Until the Systems Transition Date, FDS shall, in a manner consistent with FDS’s historical practice (taking into account the magnitude and type of each of the following matters): (i) make modifications and changes to FDS Systems as necessary to comply with Applicable Law, the Risk Management Policies and/or the Operating Procedures, following appropriate consultation with Bank with respect to changes thereto; (ii) ensure that the features and functionality available on the FDS Systems as of the Effective Date are maintained in a manner consistent with historical levels, and (iii) ensure that the technology associated with the FDS Systems (including hardware platforms, operations systems and software licenses) is sufficient to support the operation of the Program as contemplated by the terms of this Agreement.

(b) The Parties acknowledge and agree that no Systems conversion shall occur pursuant to Section 7.4(a) in absence of satisfaction of each of the following requirements:

(i) Bank shall ensure that all features and functionality available on the FDS Systems prior to the Systems Transition Date (including data gathering, interface capabilities with the FDS Companies’ other Systems, Loyalty Program support and core systems/customer service functionality) are available on Bank Systems as of the Systems Transition Date to the extent the FDS Systems are to be converted to Bank Systems;

(ii) all existing credit data feeds used by FDS or any of its Affiliates in connection with the Credit Card Business, FedCustomer or otherwise prior to the Effective Date shall have been replicated on Bank Systems prior to the Systems Transition Date;

(iii) Bank shall provide and Bank Systems shall support the Internet services set forth on Schedule 7.4(b);

(iv) without limiting the foregoing, Bank Systems shall interface with the FDS Systems that are not converted to Bank Systems in a manner reasonably acceptable to FDS;

(v) Bank shall have a disaster recovery and business continuity plan applicable to the Bank Systems as set forth in Section 7.3(d) and Bank shall be prepared to and have the ability to implement such plan if necessary; and

(vi) Bank shall have identified and implemented all hardware and other Systems changes necessary to ensure that Bank Systems will be compatible with those FDS Systems that will interface with Bank Systems, including the POS Systems of FDS and its Affiliates.

(c) The FDS Companies shall have the right to perform testing to assure that Bank Systems have the features and functionality described in clauses (b)(i)-(vi) and any other features and functionality promised by Bank.

(d) Neither Party shall make any change to any of its Systems that would render them incompatible in any way with the other Party's or its Affiliates' Systems or require the other Party or its Affiliates (or the Retail Merchants) to make any change to any of their Systems (including any POS terminals) or reduce or restrict interfacing or System feeds, in any such case without the prior approval of the Operating Committee. Neither Party will make any change to its Systems with respect to the Program without prior notification to the Operating Committee if such change would reasonably be expected to materially impact the Program or the operation of any of the other Party's Systems, except to the extent such change is necessary in connection with the exercise by FDS or Bank of an FDS Matter or a Partner Matter, as applicable; provided further, that, without the prior approval of the Operating Committee, neither Party shall make any change to its Systems with respect to the Program during October, November or December. Bank shall cooperate to ensure that System changes are scheduled with due regard to FDS's retail sales calendar and in a manner designed to minimize disruption to peak sales periods.

(e) Prior to the Systems Transition Date, the Operating Committee shall agree on such modifications to the terms of this Agreement relating to the allocation of reporting obligations, settlement and chargeback procedures and other Systems-dependent obligations and procedures as are necessary to accurately reflect the transition of relevant services, capabilities and data access of the respective Parties following the System Transition Date.

7.5 Systems Interface; Technical Support.

(a) Required Interfaces. The FDS Companies and Bank shall identify, prior to the Effective Date, the Systems interfaces required to be sustained between the FDS Companies and Bank. The FDS Companies and Bank shall maintain such interfaces and cooperate in good faith with each other in connection with any modifications to such interfaces as may be requested by either Party from time to time. Each of the FDS Companies and Bank agrees to maintain at its own expense its respective Systems interfaces so that the operation of the Systems as a whole is at all times no less functional than prior to the Effective Date.

(b) Additional Interfaces; Interface Modifications. All requests for new interfaces, modifications to existing interfaces and terminations of existing interfaces shall be presented to the Operating Committee for approval. Upon approval, the Parties shall work in good faith to establish the requested interfaces or modify or terminate the existing interfaces, as applicable, on a timely basis. Except as otherwise provided herein (including in Section 7.4), all costs and expenses with respect to any new interface or interface modification or termination shall be borne by the requesting Party unless otherwise determined by the Operating Committee.

(c) Secure Protocols. The Parties shall use secure protocols for the transmission of data from Bank and its Affiliates, on the one hand, to FDS and its Affiliates, on the other hand, and vice versa.

ARTICLE VIII

MERCHANT SERVICES

8.1 Transmittal and Authorization of FDS Charge Transaction Data. FDS shall, and shall cause its Subsidiaries and Licensees (such Subsidiaries and Licensees, together with FDS, the "Retail Merchants") to, accept the FDS Credit Cards for FDS Transactions. The Retail Merchants shall transmit FDS Charge Transaction Data for authorization of FDS Transactions as provided in the Operating Procedures. The FDS Transactions shall be authorized or declined on a real time basis as provided in the Operating Procedures, including transactions involving split-tender (i.e., a portion of the total transaction amount is billed to an FDS Credit Card and the remainder is paid through one or more other forms of payment), transactions over the phone, on-line or hand keyed, as applicable, or down-payments on FDS Goods and Services for later delivery. If any Retail Merchant is unable to obtain authorizations for FDS Transactions for any reason, such Retail Merchant may complete such FDS Transactions without receipt of further authorization as provided in the Operating Procedures.

8.2 POS Terminals. The Retail Merchants shall maintain POS terminals capable of processing FDS Credit Card and Account transactions as handled as of the Effective Date. To the extent that the Retail Merchants are required to make changes to any POS terminal (including hardware and software) in order to process FDS Transactions and transmit FDS Charge Transaction Data under this Agreement as a result of any System conversion contemplated by Section 7.4 or any other change or modification to any Bank System or a new Bank System approved by the Operating Committee, each Party shall pay its respective costs and expenses associated with such changes.

8.3 In-Store Payments. The Retail Merchants may accept In-Store Payments from Cardholders on their Accounts in accordance with the Operating Procedures. The Retail Merchants shall, as necessary, provide proper endorsements on such items. Bank hereby grants to each of the FDS Companies and the Retail Merchants a limited power of attorney (coupled with an interest) to sign and endorse Bank's name upon any form of payment that may have been issued in Bank's name in respect of any Account. The FDS Companies and Bank shall jointly develop procedures in the Operating Procedures with respect to the manner in which such In-Store Payments shall be processed (it being understood that such procedures shall provide for immediate credit toward the applicable open-to-buy limits of the respective Account upon receipt of an In-Store Payment). The FDS Companies, on behalf of the Retail Merchants, shall notify Bank upon receipt of In-Store Payments and Bank shall include the FDS Charge Transaction Data related to such In-Store Payments in the net settlement in respect of the day immediately following such receipt on the same basis as other FDS Charge Transaction Data. The Retail Merchants shall issue receipts for such payments in compliance with Applicable Law.

8.4 Settlement Procedures.

(a) The Retail Merchants shall transmit FDS Charge Transaction Data (including FDS Charge Transaction Data arising in connection with sales by Licensees) to Bank in accordance with the Operating Procedures on each day that the Retail Merchant is open for business. If FDS Charge Transaction Data is received by Bank's processing center before 11:00 A.M. (Eastern time) on any Business Day on which Bank is open for business, Bank shall process the FDS Charge Transaction Data and initiate a wire transfer of the payment in respect thereof before 1:00 P.M. (Eastern time) on the same Business Day.

(b) Bank shall remit to FDS, for itself and the Retail Merchants, an amount equal to the total amount of charges identified in all FDS Charge Transaction Data not yet paid in accordance with Section 8.4(a) less the sum of (i) the total amount of any credits included in such FDS Charge Transaction Data, plus (ii) the total amount of In-Store Payments (if any), plus (iii) any amounts charged back to such Retail Merchants pursuant to Section 8.5. The total amount of charges reflected in the FDS Charge Transaction Data shall include the amount of all Cardholder and employee discount(s) such that upon daily settlement of such FDS Charge Transaction Data in accordance with Section 8.4(c), Bank shall pay FDS the price of the FDS Goods and Services without giving effect to such discount(s). FDS shall reimburse Bank for the amount of such discounts on a monthly basis as set forth in Section 8.4(d).

(c) If any FDS Charge Transaction Data is not received by Bank's processing center before 11:00 A.M. (Eastern time) on any Business Day on which such processing center is open for business as a result of any circumstance other than a willful failure of the Retail Merchant to send such data (e.g., Systems failure or communication outage), which circumstance the Retail Merchant shall use reasonable efforts to remedy, Bank shall initiate a wire transfer (each such transfer, an "Estimated Remittance") by 3:00 P.M. (Eastern time) on the same Business Day of Bank's good faith estimate of the amount that should be transferred to FDS for itself and the Retail Merchants in accordance with Section 8.4(a) as if such failure had not occurred. Bank's good faith estimate shall be based on FDS's then most recent projections of Net Credit Sales and shall take into account, among other things, holidays and seasonal and other sales fluctuations. The Estimated Remittance shall be deducted from any remittance in respect of applicable FDS Charge Transaction Data when transmitted and processed pursuant to this Section 8.4 (and to the extent necessary thereafter to fully reconcile such Estimated Remittance, other FDS Charge Transaction Data).

(d) Not more than five (5) days after the end of each Fiscal Month, the FDS Servicer shall deliver or cause to be delivered to Bank a report for such preceding Fiscal Month of all discount(s) reflected in the FDS Charge Transaction Data and paid for by Bank in such preceding Fiscal Month (and, in the case of FDS Charge Transaction Data for a credit to an Account, all reversals of discounts reflected in the credits included in such FDS Charge Transaction Data). The net amount of discounts paid by Bank with respect to such discounts during such Fiscal Month, as reflected on such report (after deducting any discounts reversed in respect of FDS Goods and Services for which a credit was issued), shall be paid by the FDS Companies to Bank within three (3) Business Days of such report.

(e) FDS shall be responsible for allocating remittances under this Section 8.4 among all the Retail Merchants as appropriate and Bank shall have no responsibility or liability in connection therewith (it being agreed that Bank has no obligation to make remittances to, any person other than FDS).

8.5 Bank's Right to Charge Back.

(a) Right to Charge Back. Bank shall have the right to charge back to FDS the Cardholder Indebtedness (including Cardholder Indebtedness incurred prior to the Effective Date with respect to Purchased Accounts) reflected in FDS Charge Transaction Data only to the extent such charge back is expressly permitted in clauses (i) through (iv) below.

(i) Merchandise Adjustments. If a Cardholder requests an adjustment based on the quality or delivery of FDS Goods and Services, the Cardholder request for adjustment shall be promptly communicated to FACS on behalf of the relevant Retail Merchant. FACS shall honor the customer service policies and determinations of the Retail Merchant. Amounts shall only be charged back to the extent FACS authorizes the applicable charge back of Cardholder Indebtedness.

(ii) Fraudulent Charges. If a charge arose from fraud of any employee or agent of a Retail Merchant, the amount of any Cardholder Indebtedness with respect to such charge may be charged back to FDS, on behalf of the relevant Retail Merchant.

(iii) Certain Transactions. Any transactions in the FDS Channels with respect to which appropriate authorizations were not obtained in accordance with the Operating Procedures may be charged back to FDS.

(iv) Cardholder Fraud. Any transactions that arose in any FDS Channel from fraud in respect of a Private Label Account may be charged back to FDS.

(b) Exercise of Chargeback. If Bank exercises its right of chargeback, Bank may set off all amounts charged back against any sums due to the FDS Companies under this Agreement, or Bank may demand payment from FDS for the full amount of such chargeback. In the event of a chargeback pursuant to this 0, upon payment in full of the related amount by FDS, Bank shall immediately assign to FDS or the relevant Retail Merchant, without any representation, warranty or recourse, all right to payments of amounts charged back in connection with such Cardholder charge. Bank shall cooperate fully in any effort by the FDS Companies to collect the chargeback amount, including by executing and delivering any document necessary or useful to such collection efforts.

(c) General Purpose Account Fraud. All fraud losses in respect of General Purpose Accounts shall be at Bank's expense (and shall be deemed Program Expenses).

8.6 No Processing Fees.

(a) None of FDS, its Affiliates or the Retail Merchants shall charge any Credit Card surcharge, application, processing or other Program related fee to Cardholders.

(b) None of FDS, its Affiliates or the Retail Merchants shall be required to pay any Merchant Discount on any FDS Transaction. Bank shall process FDS Transactions such that the Retail Merchants do not incur any merchant acquirer/processor or similar fees.

ARTICLE IX

PROGRAM ECONOMICS

9.1 Bank's Responsibility for Program Operation. Except as otherwise expressly specified in this Agreement, Bank shall be responsible for the costs of operating the Program. Except as expressly contemplated by the Budget approved by the Operating Committee or as otherwise expressly provided for in this Agreement, Bank shall not incur costs that would be deemed Program Expenses unless otherwise approved by the Operating Committee.

9.2 Settlement Statements.

(a) Within thirty (30) days after the end of each Fiscal Month other than the last Fiscal Month of each Fiscal Quarter, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(a). Each such statement shall be known as a "Monthly Settlement Sheet."

(b) Within thirty (30) days after the end of each Fiscal Quarter other than the last Fiscal Quarter of each Fiscal Year, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(b). Each such statement shall be known as a "Quarterly Settlement Sheet."

(c) Within thirty (30) days after the end of each Fiscal Year, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(c). Each such statement shall be known as a "Year-End Settlement Sheet".

9.3 FDS Compensation.

(a) Payments. Not later than 10 A.M. (Eastern time) on the fifth (5th) Business Day after the receipt of each Monthly Settlement Sheet, Quarterly Settlement Sheet or Year-End Settlement Sheet, as applicable, Bank shall pay to FDS Bank the amounts determined in accordance with Schedule 9.3(a). Such amounts shall be paid to FDS Bank regardless of whether any amounts are disputed by Bank. Each Party may invoke the dispute resolution procedures set forth herein in connection with any dispute relating to any payment of the amounts set forth in the applicable settlement sheet.

(b) Form of Payment. All payments pursuant to this Section 9.3 shall be made by wire transfer of immediately available funds to an account designated in writing by FDS Bank unless otherwise agreed upon by the Parties in writing.

(c) Card Association Compensation. FDS Bank shall be entitled to all amounts (other than Interchange Fees) paid to Bank by the Card Association pursuant to the Visa-Branded Federated Department Stores Co-Branded Card Program Agreement, dated as of October 22, 2002, between FDS Bank and the Card Association (as amended, renewed or otherwise modified, the "Card Association").

Contract”). Bank shall use its commercially reasonable efforts to ensure that the Card Association Contract remains in full force and effect in accordance with its terms following the Effective Date, and Bank shall not agree to any early termination of the Card Association Contract or to any amendment or modification thereof that would reduce the amount payable to FDS Bank pursuant thereto and this Section 9.3(c). Bank shall use its commercially reasonable efforts to cause the Card Association Contract to be extended, renewed or replaced by the Card Association at the end of its term with a replacement contract having economic terms that are (i) the most favorable economic terms reasonably available to Bank and (ii) no less favorable than the terms in effect under the Card Association Contract on the date hereof. Any contract resulting from any such extension, renewal or replacement shall also be deemed the Card Association Contract and shall be subject to all of the terms of this Section 9.3(c). All amounts payable pursuant to this Section 9.3(c) shall be payable as set forth in Section 9.3(a). The Parties acknowledge and agree that (i) in exercising its commercially reasonable efforts hereunder, Bank shall not be obligated to pay any fee or other amount to the Card Association or to any other Person unless FDS Bank agrees to reimburse the Bank for the full amount thereof in connection therewith and (ii) Bank shall not agree to pay any such fee or other amount unless FDS Bank shall have consented thereto in writing.

9.4 Budgeting.

(a) The Budget for the Fiscal Year ending January 28, 2006 is attached hereto as Schedule 9.4(a). At least ninety (90) days before the beginning of each subsequent Fiscal Year, the Managers will jointly submit a proposed annual Budget for such Fiscal Year to the Operating Committee. Each Budget shall be based on reasonable estimates of each line item therein based upon the Business Plan, the Marketing Plan and other information regarding actual historical and estimated future expenses of the Program and the Parties. Each Party shall promptly provide information reasonably requested by the Operating Committee in connection with the review and approval of any Budget.

(b) The Operating Committee shall review the proposed Budget and approve the annual Budget in accordance with Section 3.2. The Operating Committee shall also review the Budget at least semi-annually and may elect to approve modifications to the forecasts contained in the Budget (and/or approve a semi-annual Budget) from time to time.

(c) Within thirty (30) days after the end of each Fiscal Year, the FDS Servicer shall provide a report to Bank indicating the actual income and expenses of the Program compared to the applicable Budget. Unless otherwise approved by the Operating Committee, to the extent any actual expenses incurred in the prior Fiscal Year in respect of any expense category (including all line items in such expense category) set forth in Schedule 9.4(c) exceed one hundred ten percent (110%) of the amount budgeted therefor in the approved Budget for such Fiscal Year, the following shall apply:

(i) with respect to each expense category where such an excess exists, if such expense category is an expense category with respect to which the FDS Companies are responsible (as set forth in Schedule 9.4(c)) and are entitled to payment or reimbursement in accordance with this Agreement disregarding this Section 9.4(c), the FDS Companies shall make a payment to Bank in an amount equal to the excess, if any, of (A) the aggregate of all monthly amounts paid or reimbursed to the FDS

Companies in respect of such expense category for the relevant Fiscal Year over (B) the amount to which the FDS Companies would have been entitled had the actual amount of the expenses in such expense category not exceeded the amount budgeted therefor; and

(ii) annual Pre-Tax Profit shall be recalculated by the FDS Servicer; provided that for purposes of such recalculation, for each expense category as to which there is an excess of the type referred to in the first paragraph of this Section 9.4(c), the budgeted amount for such expense category shall be substituted for the amount that would have been recorded for such expense category based on actual results. Bank shall pay to the FDS Companies an amount equal to the excess, if any, of (A) the FDS Profit Share to which the FDS Companies would have been entitled for such Fiscal Year had the actual Pre-Tax Profit for such Fiscal Year been equal to the Pre-Tax Profit as recalculated in accordance with this Section 9.4(c)(ii) over (B) the aggregate amount actually paid to the FDS Companies in respect of the FDS Profit Share for all months in such Fiscal Year.

(d) All amounts payable pursuant to Section 9.4(c) shall be reflected in the Year-End Settlement Sheet and paid to the Party(ies) entitled thereto in connection with the settlement of the amounts reflected therein.

ARTICLE X

INTELLECTUAL PROPERTY

10.1 The FDS Licensed Marks.

(a) Grant of License to Use the FDS Licensed Marks. Subject to the terms and conditions of this Agreement, FDS hereby grants to Bank a non-exclusive, royalty-free, non-transferable right and license to use the FDS Licensed Marks (i) with respect to the Program in the United States in connection with the creation, establishment, marketing and administration of, and the provision of services related to, the Program and (ii) in connection with any sale permitted by this Agreement of the Accounts and Cardholder Indebtedness to third parties for liquidation. All use of the FDS Licensed Marks shall be in accordance with this Agreement and any Trademark Style Guide delivered by FDS to Bank from time to time (which FDS shall so deliver). All uses of the FDS Licensed Marks shall require the prior written approval of FDS. To the extent Bank delegates any of its rights or obligations hereunder to any authorized Affiliate and/or authorized third party in accordance with the terms and conditions of this Agreement, Bank may sublicense its rights in the FDS Licensed Marks hereunder to such authorized Person; provided that such Person shall agree to comply with all of the terms and conditions of the use of the FDS Licensed Marks hereunder and Bank shall remain liable for such Person's failure to so comply. Except as expressly set forth in this Section 10.1, the rights granted pursuant to this Section 10.1 are solely for use of Bank and may not be sublicensed without the prior written approval of FDS.

(b) New FDS Marks. If FDS or any of its Subsidiaries adopts a trademark, service mark or other source indicator that is a successor to an FDS Licensed Mark or that FDS has otherwise elected to use in connection with the Program but which is not listed on Schedule 1.1(e) hereto (a "New FDS Mark"), Bank may request that FDS add such New FDS Mark to Schedule 1.1(e) hereto and

license its use hereunder; FDS shall not unreasonably fail to do so (for the avoidance of doubt and without limitation, it is reasonable for FDS to withhold consent if the New FDS Mark is not a successor to an FDS Licensed Mark or is not used in connection with its retail operations), and upon FDS's written approval of the addition of such New FDS Mark, such New FDS Mark shall be deemed added to Schedule 1.1(e). In the event that FDS does not license any New FDS Mark to Bank, such New FDS Mark shall be deemed to be an FDS Licensed Mark solely for purposes of Section 2.2.

(c) Termination of License. Except to the extent otherwise provided in Section 16.4, the license granted in this Section 0 shall terminate upon the termination or expiration of this Agreement or, if the purchase option under Section 16.2 is exercised, the Program Purchase Date. Upon termination of the license granted in this Section 10.1, all rights in the FDS Licensed Marks granted hereunder shall revert to FDS and Bank shall (and shall cause its authorized Affiliates, authorized third parties and permitted sublicensees to):

(i) discontinue all use of the FDS Licensed Marks, or any of them, and any colorable imitation thereof; and (ii) destroy all unused FDS Credit Cards, Credit Card Applications, Account Documentation, Solicitation Materials, periodic statements, materials, displays, advertising and sales literature and any other items bearing any of the FDS Licensed Marks; provided that if the purchase option under Section 16.2 is exercised, at FDS's election, such items shall constitute Program Assets and will be transferred and delivered to FDS or its Nominated Purchaser pursuant to Section 16.2.

(d) Ownership of the FDS Licensed Marks. Bank acknowledges that (i) the FDS Licensed Marks, all rights therein, and the goodwill associated therewith, are, and shall remain, the exclusive property of FDS and its Affiliates, (ii) it shall take no action which shall adversely affect the exclusive ownership of FDS and its Affiliates in the FDS Licensed Marks, or the goodwill associated with the FDS Licensed Marks (it being understood that the collection of Accounts, adverse action letters, and changes in terms of Accounts as required by Applicable Law do not adversely affect goodwill, if done in accordance with the terms of this Agreement), and (iii) any and all goodwill arising from use of the FDS Licensed Marks by Bank shall inure to the benefit of FDS. Nothing herein shall give Bank any proprietary interest in or to the FDS Licensed Marks, except the right to use the FDS Licensed Marks in accordance with this Agreement, and Bank shall not contest FDS's title in and to the FDS Licensed Marks. FDS shall prosecute and maintain the FDS Licensed Marks at FDS's cost and expense and in its sole discretion.

(e) Infringement by Third Parties. Bank shall use reasonable efforts to notify FDS, in writing, promptly upon acquiring Knowledge of any infringing use of any of the FDS Licensed Marks by any third party. If any of the FDS Licensed Marks is infringed, FDS alone has the right, in its sole discretion, to take whatever action it deems necessary to prevent such infringing use; provided, however, that if FDS fails to take reasonable steps to prevent infringement of the FDS Licensed Marks by any department store retailer and such infringement has an adverse effect upon the Program or the rights of Bank hereunder, Bank may request that FDS take action necessary to alleviate such adverse impact. Bank shall reasonably cooperate with and assist FDS, at FDS's expense, in the prosecution of those actions that FDS determines, in its sole discretion, are necessary or desirable to prevent the infringing use of any of the FDS Licensed Marks.

10.2 Bank Licensed Marks.

(a) Grant of License to Use Bank Licensed Marks. Subject to the terms and conditions of this Agreement, Bank hereby grants to the FDS Companies a non-exclusive, royalty-free, non-transferable right and license to use Bank Licensed Marks in the United States in connection with the creation, establishment, marketing and administration of, and the provision of services related to, the Program. All use of Bank Licensed Marks shall be in accordance with this Agreement and any Trademark Style Guide delivered by Bank to FDS from time to time (which Bank shall so deliver). All uses of Bank Licensed Marks shall require the prior written approval of Bank. To the extent the FDS Companies delegate any of their rights or obligations hereunder to any authorized Affiliate and/or authorized third party in accordance with the terms and conditions of this Agreement, the FDS Companies may sublicense their rights in Bank Licensed Marks hereunder to such authorized Person; provided that such Person shall agree to comply with all of the terms and conditions of the use of Bank Licensed Marks hereunder and the FDS Companies shall remain liable for such Person's failure to so comply. Except as expressly set forth in this Section 10.2, the rights granted pursuant to this Section 10.2 are solely for use of the FDS Companies and may not be sublicensed without the prior written approval of Bank.

(b) New Bank Marks. If Bank adopts a trademark, service mark or other source indicator for use in connection with its Credit Card business or any related businesses that is not listed on Schedule 1.1(b) hereto (for purposes of this Section 10.2, a "New Bank Mark"), FDS may request that Bank add such New Bank Mark to Schedule 1.1(b) hereto and license its use hereunder; and if the Operating Committee (which shall decide on behalf of Bank) so agrees, such New Bank Mark shall be deemed added to Schedule 1.1(b) (provided that notwithstanding any agreement of the Operating Committee, any New Bank Mark that is a successor to a Bank Licensed Mark shall be deemed to be licensed as a Bank Licensed Mark hereunder and added to Schedule 1.1(b)).

(c) Termination of License. The license granted in this Section 10.2 shall terminate upon the termination or expiration of this Agreement or, if the purchase option under Section 16.2 is exercised, six (6) months after the Program Purchase Date. Upon the termination of the license granted in this Section 10.2, all rights in Bank Licensed Marks granted hereunder shall revert to Bank and the FDS Companies shall (and shall cause their authorized Affiliates, authorized third parties and permitted sublicensees to): (i) discontinue all use of Bank Licensed Marks, or any of them, and any colorable imitation thereof; and (ii) destroy all unused FDS Credit Cards, Credit Card Applications, Account Documentation, Solicitation Materials, periodic statements, materials, displays, advertising and sales literature and any other items, in each case, bearing any of Bank Licensed Marks.

(d) Ownership of Bank Licensed Marks. Each of the FDS Companies acknowledges that (i) Bank Licensed Marks, all rights therein, and the goodwill associated therewith, are, and shall remain, the exclusive property of Bank, (ii) it shall take no action which shall adversely affect Bank's exclusive ownership of Bank Licensed Marks or the goodwill associated with Bank Licensed Marks, and (iii) any and all goodwill arising from use of Bank Licensed Marks by the FDS Companies shall inure to the benefit of Bank. Nothing herein shall give the FDS Companies any proprietary interest in or to Bank Licensed Marks, except the right to use Bank

Licensed Marks in accordance with this Agreement, and the FDS Companies shall not contest Bank's title in and to Bank Licensed Marks. Bank shall prosecute and maintain the Bank Licensed Marks at Bank's cost and expense and in its sole discretion.

(e) Infringement by Third Parties. Each of the FDS Companies shall use reasonable efforts to notify Bank, in writing, promptly upon acquiring Knowledge of any infringing use of any Bank Licensed Marks by any third party. If any Bank Licensed Mark is infringed, Bank alone has the right, in its sole discretion, to take whatever action it deems necessary to prevent such infringing use; provided, however, that if Bank fails to take reasonable steps to prevent infringement of any Bank Licensed Marks by any credit provider and such infringement has an adverse effect upon the Program or the rights of the FDS Companies hereunder, the FDS Companies may request that Bank take action necessary to alleviate such adverse impact. The FDS Companies shall reasonably cooperate with and assist Bank, at Bank's expense, in the prosecution of those actions that Bank determines, in its sole discretion, are necessary or desirable to prevent the infringing use of any Bank Licensed Marks.

10.3 Intellectual Property.

(a) Each Party shall continue to own all of its Intellectual Property that existed as of the Effective Date. Each Party also shall own all right, title and interest in the Intellectual Property it develops or creates independently of the other Party during the Term.

(b) Except to the extent the Parties enter into a separate agreement (or addendum to this Agreement) with respect to the development, creation, use and their respective rights in any Joint IP, each Party shall have the right to use, license and otherwise exploit Joint IP without any restriction or obligation to account to the other Party; provided, however, that no such Joint IP shall be used by Bank in connection with any Credit Card or other credit program or other arrangement with any retailer (including any retailer listed on Schedule 2.5) without the prior written consent of FDS. "Joint IP" means any Intellectual Property developed or created in connection with the Program that is deemed to be jointly owned by Bank, on the one hand, and any of the FDS Companies, on the other hand, pursuant to this Section 10.3. Patents and patentable inventions shall be deemed to be owned jointly, as between the Parties only if the respective personnel of each Party are deemed co-inventors under the patent law. Software and other works of authorship and associated copyrights shall be deemed to be jointly owned only if the Parties are deemed co-authors or co-owners of such software or other work of authorship under the copyright law or otherwise. Any other Intellectual Property developed by a substantially equal investment of time, human, intellectual and financial resources by each Party during the Term of this Agreement shall be owned jointly by the Parties; provided that any such Intellectual Property constituting a trademark, service mark or other source indicator, shall be owned exclusively by FDS and may become a "New FDS Mark" pursuant to Section 10.1(b) (for the avoidance of doubt, Bank shall own all right, title and interest in any trademark, service mark or other source indicator it develops or creates independently of the FDS Companies during the Term). To the extent that a work created by one Party is based on or incorporates Intellectual Property of the other Party, but the Parties are not joint owners as set forth above, then one Party shall be the sole owner of the Intellectual Property in the underlying work and the other Party shall be the sole owner of the Intellectual Property in the new work. By way of example and not of limitation, a Party shall not be a joint owner of any Intellectual Property in any marketing materials to the extent its contribution thereto consists solely of review, approval or modification of such materials to ensure compliance with Applicable Law or Credit Card Documentation.

(c) During and after the Term of this Agreement, each Party shall use, license or otherwise exploit (or permit others to do so) any Joint IP solely at its own risk. Each Party hereby disclaims all representations and warranties, either express or implied, including any warranties of title, non-infringement, validity, value, reliability, merchantability or fitness for a particular purpose, with respect to any Joint IP and its use, licensing or exploitation by the other Party. The term “Program Assets” includes all of Bank’s right, title and interest in and to any Joint IP used by Bank solely in connection with the Program (but not any liabilities arising out of or relating to Bank’s use of such Joint IP). Any information or data provided by or on behalf of one Party to the other Party remains, as between the Parties, the sole property of the providing Party, and if applicable, shall be considered “Confidential Information” under Article XIII. Ownership of Cardholder Data, FDS Shopper Data and FDS Prospect List shall not be governed by this Section 10.3(b). The provisions of Section 10.3 shall survive any expiration or termination of this Agreement.

ARTICLE XI

REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 General Representations and Warranties of FDS. Except as Previously Disclosed, FDS makes the following representations and warranties to Bank as of the date hereof and as of the Effective Date:

(a) Corporate Existence. Each FDS Company: (i) is a corporation (or, in the case of FDS Bank, a federally chartered stock savings bank) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the FDS Companies’ ability to perform their obligations hereunder; and (iii) has all necessary licenses, permits, consents or approvals from or by, and has made all necessary filings and registrations with, all governmental authorities having jurisdiction, to the extent required for the ownership, lease or conduct and operation of its business, except to the extent that the failure to obtain such licenses, permits, consents or approvals or to make such filings or registrations would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Program.

(b) Capacity; Authorization; Validity. Each FDS Company has all necessary corporate or similar power and authority to (i) execute and enter into this Agreement and (ii) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements relating to the Program and this Agreement executed by such FDS Company pursuant hereto. The execution and delivery by the FDS Companies of this Agreement and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the FDS Companies. This

Agreement (i) has been duly executed and delivered by the FDS Companies, (ii) constitutes the valid and legally binding obligation of the FDS Companies, and (iii) is enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(c) Conflicts; Defaults; Etc. The execution, delivery and performance of this Agreement by each of the FDS Companies, compliance by each of them with the terms hereof, and consummation by each of them of the transactions specified herein will not (i) conflict with, violate, result in the breach of, constitute an event which would, or with the lapse of time or action by a third party or both would, result in a default under, or accelerate the performance required by, the terms of any contract, instrument or agreement to which FDS or any of its Subsidiaries is a party or by which they are bound, or to which any of the assets of FDS or any of its Subsidiaries are subject; (ii) conflict with or violate the articles of incorporation or by-laws, or any other equivalent organizational document(s), of the FDS Companies; (iii) breach or violate any Applicable Law, Applicable Order or the by-laws or other membership or operating rules of the Card Association, in each case, applicable to the FDS Companies; (iv) require the consent or approval of any other party to any contract, instrument or commitment to which any FDS Company is a party or by which it is bound; or (v) require any filing with, notice to, consent or approval of, or any other action to be taken with respect to, any Governmental Authority, except, in the cases of clauses (i), (iv) and (v), for such conflicts, breaches, defaults, violations or failures to obtain such consents or approvals or make or obtain such filings, notices, consents and approvals as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program and, except in the case of clause (iii), for any immaterial breach or violation of any such Applicable Law, Applicable Order, by-law or rules.

(d) No Litigation. No action, claim, litigation, proceeding, arbitration or investigation is pending or, to the Knowledge of FDS, threatened against FDS or any of its Subsidiaries, at law, in equity or otherwise, by or before any Governmental Authority, to which FDS or any of its Subsidiaries is a party, which would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Program.

(e) The FDS Licensed Marks. FDS has the right, power and authority to grant the rights to use the FDS Licensed Marks expressly granted herein.

(f) Internal Controls Over Financial Reporting. FDS has implemented with respect to the Credit Card Business, “disclosure controls and procedures” and “internal control over financial reporting” (as defined in Rules 13a-15 and 15d-15 of the Exchange Act) reasonably designed to ensure that all information (both financial and non-financial) required to be disclosed by FDS with respect to the Credit Card Business in the reports that FDS files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that all such information is accumulated and communicated to FDS’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the Chief Executive Officer and Chief Financial Officer of FDS required under the Exchange Act with respect to such reports.

(g) Operating Procedures and Risk Management Policies. Except as set forth on Schedule 11.1(g), the initial Operating Procedures set forth in Schedule 4.1(b) and the initial Risk Management Policies set forth in Schedule 4.6(b) represent the operating procedures and risk management policies under which the FDS Companies have operated the Credit Card Business from January 1, 2005 until the date hereof. Except as set forth on Schedule 11.1(g), the FDS Companies have not made any material changes to such operating and risk management policies since January 1, 2005. The FDS Companies have achieved or exceeded the risk management targets specified in Schedule 4.6(c)(ii) in either the First Quarter of Fiscal Year 2005 or as otherwise specified in Schedule 4.6(c)(ii). The FDS Companies have achieved or exceeded the SLAs specified in Schedule 4.1(b) with respect to the services to be performed by Bank pursuant to Sections 4.3(a)(v) and (ix) since July 31, 2004.

11.2 General Representations and Warranties of Bank. Except as Previously Disclosed, Bank hereby makes the following representations and warranties to the FDS Companies as of the date hereof and as of the Effective Date:

(a) Corporate Existence. Bank (i) is duly organized, validly existing and in good standing under the federal laws of the United States and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged, or proposes to engage pursuant to this Agreement, makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program. Bank has all necessary licenses, permits, consents or approvals from or by, and has made all necessary filings and registrations with, all governmental authorities having jurisdiction, to the extent required for the ownership, lease or conduct and operation of its business and the Credit Card Business pursuant to this Agreement, except to the extent that the failure to obtain such licenses, permits, consents or approvals or to make such filings or registrations would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program.

(b) Capacity; Authorization; Validity. Bank has all necessary corporate or similar power and authority to (i) execute and enter into this Agreement and (ii) perform the obligations required of it hereunder and the other documents, instruments and agreements relating to the Program and this Agreement executed by Bank pursuant hereto. The execution and delivery by Bank of this Agreement and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank. This Agreement (i) has been duly executed and delivered by Bank, (ii) constitutes the valid and legally binding obligation of Bank and (iii) is enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(c) Conflicts; Defaults; Etc. The execution, delivery and performance of this Agreement by Bank, compliance by it with the terms hereof, and consummation by it of the transactions specified herein will not (i) conflict with, violate, result in the breach of, constitute an event which would, or with the lapse of time or action by a third party or both would, result in a default under, or

accelerate the performance required by, the terms of any contract, instrument or agreement to which Bank is a party or by which it is bound, or to which any of the assets of Bank is subject; (ii) conflict with or violate the articles of incorporation or by-laws, or any other equivalent organizational document(s), of Bank; (iii) breach or violate any Applicable Law, Applicable Order or the by-laws or other membership or operating rules of the Card Association, in each case, applicable to Bank; (iv) require the consent or approval of any other party to any contract, instrument or commitment to which any Bank is a party or by which it is bound; or (v) require any filing with, notice to, consent or approval of, or any other action to be taken with respect to, any Governmental Authority, except, in the cases of clauses (i), (iv) and (v), for such conflicts, breaches, defaults, violations or failures to obtain such consents or approvals or make or obtain such filings, notices, consents and approvals as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program, and except, in the case of clause (iii), for any immaterial breach or violation of any such Applicable Law, Applicable Order, by-laws or rules.

(d) No Litigation. No action, claim, litigation, proceeding, arbitration or investigation is pending or, to the Knowledge of Bank, threatened against Bank or any of its Affiliates, at law, in equity or otherwise, by or before any Governmental Authority, to which Bank or any of its Affiliates is a party, which would reasonably be expected to, individually or in the aggregate, have a material adverse effect on the Program.

(e) Bank Licensed Marks. Bank or one or more of its Affiliates owns the Bank Licensed Marks and Bank has the right, power and authority to grant the rights to use Bank Licensed Marks expressly granted herein.

(f) FDIC Insurance. Bank's deposit accounts are insured by the FDIC to the fullest extent permitted by Applicable Law, and to Bank's Knowledge, no proceeding is contemplated to revoke such insurance.

(g) Card Associations. Bank is a member in good standing of the Card Association and has full authority under the by-laws and other membership and operating rules of the Card Association to issue the Co-Branded Credit Cards and otherwise perform its obligations under this Agreement.

11.3 General Covenants of the FDS Companies.

(a) Litigation. Each of the FDS Companies promptly shall notify Bank in writing if it receives written notice of any litigation that, if adversely determined, would reasonably be expected to have a material adverse effect on the Program, the Accounts in the aggregate or the FDS Companies' ability to perform their obligations hereunder.

(b) Reports and Notices. Each of the FDS Companies shall provide Bank with a facsimile notice specifying the nature of any FDS Event of Default, or any event which, with the giving of notice or passage of time or both, would constitute an FDS Event of Default, or any development or other information which is likely to have a material adverse effect on the Program, the Accounts, Cardholder Indebtedness or the FDS Companies' ability to perform their obligations pursuant to this Agreement. Notices pursuant to this Section 11.3(b) relating to the FDS Events of Default shall be provided within two (2) Business Days after any of the FDS

Companies has Knowledge of the existence of such default. Notices relating to all other events or developments described in this Section 11.3(b) shall be provided (i) promptly after any of the FDS Companies has Knowledge of the existence of such event or development if such event or development has already occurred, and (ii) with respect to events or developments that have yet to occur, as early as reasonably practicable under the circumstances. Any notice provided under this section shall be confirmed in writing to Bank within five (5) Business Days after the transmission of the initial notice.

(c) Applicable Law/Operating Procedures. The FDS Companies shall at all times during the Term comply in all material respects with Applicable Law affecting their obligations under this Agreement and the Operating Procedures.

(d) Disputes with Cardholders. The FDS Companies shall reasonably cooperate with Bank in a timely manner (but in no event less promptly than required by Applicable Law) to resolve all disputes with Cardholders.

(e) Books and Records. Prior to the Systems Transition Date, the FDS Companies shall keep adequate records and books of account with respect to the Accounts and Cardholder Indebtedness in which proper entries, reflecting all of the FDS Companies' transactions relating to the Program are made in accordance with the terms of this Agreement. The FDS Companies shall keep adequate records and books of account with respect to their activities relating to the Program, in which proper entries reflecting all of the FDS Companies' transactions are made in accordance with the terms of this Agreement. All of the records, files and books of account of the FDS Companies relating to the Program shall be in all material respects complete and correct and shall be maintained in accordance with good business practice and Applicable Law.

11.4 General Covenants of Bank.

(a) Litigation. Bank promptly shall notify FDS in writing if it receives written notice of any litigation that, if adversely determined, would reasonably be expected to have a material adverse effect on the Program, the Accounts in the aggregate or Bank's ability to perform its obligations hereunder.

(b) Reports and Notices. Bank shall provide FDS with a facsimile notice specifying the nature of any Bank Event of Default, or any event which, with the giving of notice or passage of time or both, would constitute a Bank Event of Default, or any development or other information which is likely to have a material adverse effect on the Program, the Accounts or Bank's ability to perform its obligations pursuant to this Agreement. Notice pursuant to this Section 11.4(b) relating to Bank Events of Default shall be provided within two (2) Business Days after Bank has Knowledge of the existence of such default. Notices relating to all other events or developments described in this Section 11.4(b) shall be provided (i) promptly after Bank obtains Knowledge of the existence of such event or development if such event or development has already occurred, and (ii) with respect to events or developments that have yet to occur, as early as reasonably practicable under the circumstances. Any notice produced under this section shall be confirmed in writing to the FDS Companies within five (5) Business Days after transmission of the initial notice.

(c) Applicable Law/Operating Procedures. Bank shall at all times during the Term comply in all material respects with Applicable Law affecting its obligations under this Agreement and the Operating Procedures. Bank shall at all times during the Term maintain its federal bank charter.

(d) Books and Records. Bank shall keep adequate records and books of account with respect to the Accounts and Cardholder Indebtedness in which proper entries, reflecting all of Bank's financial transactions relating to the Program, are made in accordance with the terms of this Agreement. Bank shall keep adequate records and books of account with respect to their activities relating to the Program, in which proper entries reflecting all of Bank's financial transactions are made in accordance with the terms of this Agreement. All of Bank's records, files and books of account relating to the Program shall be in all material respects complete and correct and shall be maintained in accordance with good business practice and Applicable Law.

(e) FDIC Insurance. Bank's deposit accounts shall be insured by the FDIC to the fullest extent permitted by Applicable Law throughout the Term.

(f) Card Association. Bank and, from and after the Effective Date, any assignee thereof shall be members in good standing of the Card Association throughout the Term.

(g) Special Conditions. In the event that any Special Condition applicable to Bank or any of its Affiliates results in any of such Parties being required to incur costs to ensure that the Program remains in compliance with Applicable Law, such incremental costs shall be paid for or reimbursed by Bank and shall not be deemed to be Program Expenses or otherwise reduce Pre-tax Profit. "Special Condition" means any Applicable Order or any other requirement of Applicable Law affecting the operation of the Program by Bank and its Affiliates, other than any such Applicable Order or requirement of general application that similarly affects other Credit Card Banks that are national banks or federally-chartered savings associations.

ARTICLE XII

ACCESS, AUDIT AND DISPUTE RESOLUTION

12.1 Access Rights. Each Party shall permit the other Party and its representatives and regulators to visit its facilities related to the Program during normal business hours with reasonable advance notice and at times and in a manner that does not unreasonably disrupt its normal business operations. Each Party shall also permit the other Party and its representatives and regulators to review (during normal business hours) and obtain copies of the books and records relating to the Program; provided that neither Party shall be required to provide access to records to the extent that (a) such access is prohibited by Applicable Law, (b) such records are legally privileged, (c) such records relate to other customers of, or credit programs operated by, Bank (or its Affiliates) or the FDS Companies, or (d) such access would unreasonably disrupt its normal business operations.

12.2 Audit Rights. Either Party may, from time to time during the Term, at its sole cost and expense and upon ten (10) days' prior notice to the other Party, conduct an audit of (i) the financial and operational records that are under the control and/or direction of the other Party and relate to the Program or can be reasonably segregated; and/or (ii) the operations of the other Party to ensure

such Party's compliance with its obligations under this Agreement; provided, however, that any such audit shall only be permitted at times and in a manner that does not unreasonably interfere with the other Party's normal business operations, including that any such audit shall be conducted during normal business hours in accordance with generally accepted auditing standards and the auditing Party shall employ such reasonable procedures and methods as necessary and appropriate in the circumstances, minimizing interference with the audited Party's normal business operations. The audited Party shall use reasonable efforts to facilitate the auditing Party's review, including making reasonably available such personnel of the audited Party, its Affiliates and its service providers to assist the auditing Party, its representatives and its regulators as reasonably requested. The audited Party shall deliver any document or instrument necessary for the audited Party to obtain such records from any Person maintaining records for the audited Party and shall maintain records pursuant to its regular record retention policies. For purposes of this provision, to the extent reasonably practicable, the audited Party also shall be required to provide records relating to the Program held by Persons performing services in connection with the Program at the auditing Party's request. Notwithstanding the generality of the foregoing, the audited Party shall not be required to provide access to records to the extent that (a) such access is prohibited by Applicable Law, (b) such records are legally privileged, or (c) such records relate to other customers of, or credit programs operated by, the audited Party.

12.3 Dispute Resolution. Any dispute among the Parties arising out of or relating to this Agreement, including with respect to the interpretation of any provision of this Agreement and with respect to the performance by Bank or the FDS Companies hereunder shall be resolved as provided in this Section 12.3; provided, however, that this provision shall not limit either Party's right to seek any provisional or other remedy, including, without limitation, specific performance or injunctive relief from any court of competent jurisdiction, as may be necessary, in the aggrieved Party's sole discretion, to protect its rights under this Agreement. This Section 12.3 does not apply to disputes among the Operating Committee members with respect to decisions expressly allocated to the Operating Committee pursuant to this Agreement (other than matters submitted to the Operating Committee pursuant to the dispute resolution procedure referred to in Section 12.3(a)(i)(B)). Such disputes shall be resolved in accordance with Section 3.2.

(a) Informal Dispute Resolution.

(i) Prior to the initiation of formal dispute resolution procedures, the Parties shall first attempt to resolve their dispute informally, as follows:

(A) Operating Committee. Upon the written request of either Party containing a short statement as to the nature of the dispute and the requesting Party's position with respect thereto, the Operating Committee shall meet for the purpose of negotiating in good faith to seek resolution of such dispute.

(B) Executive Committee. If, after a period of five (5) Business Days, the Operating Committee is unable to resolve the dispute to the satisfaction of the FDS Companies and Bank, the dispute shall be brought before the Executive Committee, the members of which shall in good faith seek resolution of such dispute.

(C) Appointment of Representatives. If, after a period of five (5) Business Days, the Executive Committee is unable to resolve the dispute to the satisfaction of both the FDS Companies and Bank, such unresolved matter shall be referred to the President of Citi Cards and the President of FDS's retail business, whose task it will be to meet for the purpose of negotiating in good faith to seek resolution of the dispute.

With respect to clauses (A), (B) and (C) above, the location, format, frequency, duration and conclusion of these discussions shall be left to the discretion of the Operating Committee, Executive Committee and representatives, respectively. With respect to clause (C) above, upon agreement, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations.

With respect to clauses (A), (B) and (C) above, discussions, documents and correspondence exchanged among the representatives, or submitted to the Operating Committee or the Executive Committee for purposes of these negotiations, shall be treated as confidential information developed for purposes of settlement, exempt from discovery and production, which shall not be admissible in the arbitration described below or in any lawsuit without the concurrence of the Parties. Documents identified in or provided with such communications, which were not prepared for the purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in evidence in the arbitration or lawsuit.

(ii) Formal proceedings for the resolution of the dispute pursuant to Section 12.3(b) shall not be commenced until the earlier of:

(A) either of the designated representatives concludes in good faith that amicable resolution through continued negotiation of the dispute does not appear likely and so states in a notice to the other designated representative or in a joint declaration signed by each of them; or

(B) twenty (20) Business Days after the appointment of designated representatives pursuant to Section 12.3(a)(i)(C) above (it being understood that this period shall be deemed to run notwithstanding any claim that the process described in this Section 12.3 was not followed or completed).

(iii) This Section 12.3 shall not be construed to prevent a Party from instituting, and a Party is authorized to institute, formal proceedings earlier than provided in clause (ii) above, to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or as provided in Section 12.3(c).

(b) Arbitration. If the Parties are unable to resolve a dispute as provided in Section 12.3(a), then the Parties may agree that such dispute be submitted to mandatory and binding arbitration. Where the Parties have agreed to arbitrate a specific matter after it has arisen, the following conditions will apply:

(i) Agreement to Arbitrate. Provided the Parties specifically agree (in their sole discretion) in writing signed by their authorized representatives specifically referencing this Section 12.3(b) to submit to arbitration for the dispute described in such writing, such dispute, claim or controversy relating in any way to this Agreement shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the AAA. No damages excluded by or in excess of any damage limitations set forth in this Agreement shall be awarded. The arbitrator is prohibited from awarding punitive damages. If such arbitration is agreed to, notwithstanding the then current specified Commercial Arbitration Rules of the AAA, the terms of this Agreement, including the terms set forth in this Section 12.3(b), shall supersede any AAA rule in conflict herewith. In addition, the arbitrator, in deciding all matters and in fashioning an appropriate remedy or relief, shall be bound to apply the substantive laws of the State of Delaware. In no event may any demand for arbitration be made on any date on or after which the institution of legal or equitable proceedings based on the applicable dispute would be barred by the applicable statute of limitations or by any provision of this Agreement.

(ii) Selection of Arbitrator. The Disputing Party shall notify the AAA and the other Party in writing and shall request that the AAA furnish a list of five (5) possible arbitrators who shall have substantial experience in the substantive area of the dispute. Each Party shall have fifteen (15) days to reject two (2) of the proposed arbitrators. If only one individual has not been so rejected, he or she shall serve as arbitrator; if two or more individuals have not been so rejected, unless the Parties have agreed on one of such individuals to be the arbitrator, the AAA shall select the arbitrator from those individuals.

(iii) Conduct of Arbitration. Discovery shall be controlled by the arbitrator and shall be permitted to the extent deemed by the Parties and the arbitrator to be reasonable in the circumstances. Examples of the types of discovery that may be permitted include:

- (A) interrogatories,
- (B) demands to produce documents,
- (C) requests for admission, and
- (D) depositions of a reasonable number of knowledgeable fact witnesses.

The arbitration hearing shall be commenced within sixty (60) days of the demand for arbitration. The arbitrator shall control the scheduling so as to process the matter expeditiously. The Parties may submit written briefs. The times specified in this Section may be extended upon mutual agreement of the Parties or by the arbitrator upon a showing of good cause.

(iv) Replacement of Arbitrator. Should the arbitrator refuse or be unable to proceed with arbitration proceedings as called for by this Section 12.3(b), such arbitrator shall be replaced by an arbitrator selected by mutual agreement of the Parties or, failing such agreement, by the AAA from the other four (4) arbitrators originally proposed by the AAA and not rejected by the Parties, if any, or if there are no remaining proposed arbitrators who have not been rejected, by repeating the process of selection described in Section 12.3(b)(ii) above. If an arbitrator is replaced pursuant to this Section 12.3(b)(iv), then a rehearing shall take place in accordance with the provisions of this Section 12.3(b).

(v) Findings and Conclusions. The arbitrator rendering judgment upon disputes between the Parties as provided in this Section 12.3(b) shall, after reaching judgment and award, prepare and distribute to the Parties within thirty (30) days after the close of hearings, or as soon thereafter as is practicable in the circumstances, a writing describing the findings of fact and conclusions of law relevant to such judgment and award and containing an opinion setting forth the reasons for the giving or denial of any award. The award of the arbitrator shall be final and binding on the Parties, and judgment thereon may be entered in any court of competent jurisdiction.

(vi) Place of Arbitration Hearings. The arbitration shall be held at a mutually agreed upon location or a neutral location determined by the arbitrator if the Parties do not agree.

(vii) Fees. Each Party shall bear its own costs of these procedures. A Party seeking discovery shall reimburse the responding Party the costs of production of documents (to include search time and reproduction costs). The Parties shall equally split the fees of the arbitration cost, the court reporter's transcript, and the arbitrator.

(viii) Confidentiality. The Parties, their representatives and participants and the arbitrator shall hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain or enforce a judgment on an arbitration decision and award.

(c) Litigation.

(i) Immediate Injunctive Relief. If a Party makes a good faith determination that a breach of the terms of this Agreement by the other Party is such that a temporary restraining order or other injunctive relief is the only appropriate and adequate remedy, such Party shall be authorized to seek immediate injunctive relief without regard to Section 12.3(a) or 12.3(b). If a Party files a pleading with a court seeking immediate injunctive relief and such pleading is challenged by the other Party and the injunctive relief sought is not awarded in substantial part, the Party filing such pleading shall pay all of the costs and attorneys' fees of the Party successfully challenging the pleading.

(ii) Litigation in Lieu of Arbitration. So long as no arbitration proceeding has been commenced by one Party and accepted by the other Party as provided in Section 12.3(b)(i), after the dispute resolution procedures set forth in Section 12.3(a) or either of the events set forth in Section 12.3(a)(ii) has occurred, either Party shall be authorized to initiate litigation in order to resolve the dispute.

(d) Continued Performance. Subject to Articles XV and XVI, each Party agrees to continue performing its obligations under this Agreement while any dispute is being resolved except to the extent the issue in dispute precludes performance (it being understood and agreed by the Parties that a dispute over payment shall not be deemed to preclude performance).

ARTICLE XIII
CONFIDENTIALITY

13.1 General Confidentiality.

(a) For purposes of this Agreement, “Confidential Information” means any of the following: (i) information that is provided by or on behalf of the FDS Companies, on the one hand, or Bank, on the other hand, to the other Party or its agents in connection with the Program (including information provided prior to the date hereof or the Effective Date); (ii) information about the FDS Companies or Bank or their Affiliates, or their respective businesses or employees, that is otherwise obtained by the other Party in connection with the Program, in each case including: (A) information concerning marketing plans, objectives and financial results; (B) information regarding business systems, methods, processes, financing data, programs, products and Value Proposition terms and features and tests thereof; (C) information unrelated to the Program obtained by the FDS Companies or Bank in connection with this Agreement, including by accessing or being present at the business location of the other Party; and (D) proprietary technical information, including source codes; (iii) the terms and conditions of this Agreement; and (iv) the Marketing Plan. The provisions of this Article XIII governing Confidential Information shall not govern Cardholder Data, FDS Shopper Data or FDS Prospect List, which shall be governed by the provisions of Article VI.

(b) The restrictions on disclosure of Confidential Information under this 0 shall not apply to information received or obtained by the FDS Companies or Bank, as the case may be, that: (i) is or becomes generally available to the public other than as a result of disclosure in breach of this Agreement or any other confidentiality obligations; (ii) is lawfully received on a non-confidential basis from a third party authorized to disclose such information without restriction and without breach of this Agreement; (iii) is contained in, or is capable of being discovered through examination of, publicly available records or products; (iv) is required to be disclosed by Applicable Law (but only to the extent of such required disclosure); provided that the Party subject to such Applicable Law shall use reasonable efforts to avoid such disclosure and notify the other Party of any such use or requirement prior to disclosure of any Confidential Information obtained from the other Party in order to afford such other Party an opportunity to seek a protective order to prevent or limit disclosure of the Confidential Information to third parties; provided, further, that such information shall be disclosed only to the extent required by such Applicable Law and shall otherwise remain Confidential Information; or (v) is developed by the FDS Companies or Bank, as the case may be, without the use of any proprietary, non-public information provided by the other Party under this Agreement. Nothing herein shall be construed to permit the Receiving Party (as defined below) to disclose to any third party any Confidential Information that the Receiving Party is required to keep confidential under Applicable Law.

(c) The terms and conditions of this Agreement, the Business Plan, the Marketing Plan and the Budget shall each be the Confidential Information of the FDS Companies and Bank, and each of the Parties to this Agreement shall be deemed to be a Receiving Party of each of them.

(d) If the FDS Companies, on the one hand, or Bank, on the other hand, receive Confidential Information of the other Party ("Receiving Party"), the Receiving Party shall do the following with respect to the Confidential Information of the other Party ("Disclosing Party"): (i) keep the Confidential Information of the Disclosing Party secure and confidential; (ii) treat all Confidential Information of the Disclosing Party with the same degree of care as it accords its own Confidential Information, but in no event less than a reasonable degree of care; and (iii) implement and maintain commercially reasonable physical, electronic, administrative and procedural security measures, including commercially reasonable authentication, access controls, virus protection and intrusion detection practices and procedures.

(e) Upon reasonable request, the FDS Companies and Bank shall have the right to review the other Party's information security standards and shall notify the other Party prior to materially modifying such procedures.

13.2 Use and Disclosure of Confidential Information.

(a) Each Receiving Party shall use and disclose the Confidential Information of the Disclosing Party only for the purpose of performing its obligations or enforcing its rights with respect to the Program or as otherwise expressly permitted by this Agreement, and shall not accumulate in any way or make use of such Confidential Information for any other purpose.

(b) Each Receiving Party shall: (i) limit access to the Disclosing Party's Confidential Information to those employees, authorized agents, vendors, consultants, service providers, accountants, advisors and subcontractors who have a reasonable need to access such Confidential Information in connection with the Program, the sale of Program Assets or other assets of FDS and its Affiliates or the establishment of a new Credit Card or other program or arrangement for an FDS Company, in each case in accordance with the terms of this Agreement, and (ii) ensure that any Person with access to the Disclosing Party's Confidential Information agrees to be bound by confidentiality provisions consistent with the provisions of this 0.

13.3 Unauthorized Use or Disclosure of Confidential Information. Each Receiving Party agrees that any unauthorized use or disclosure of Confidential Information of the Disclosing Party might cause immediate and irreparable harm to the Disclosing Party for which money damages might not constitute an adequate remedy. In that event, the Receiving Party agrees that injunctive relief may be warranted in addition to any other remedies the Disclosing Party may have. In addition, the Receiving Party agrees promptly to advise the Disclosing Party by telephone and in writing via facsimile of any security breach that may have compromised any Confidential Information or of any unauthorized misappropriation, disclosure or use by any Person of the Confidential Information of the Disclosing Party which may come to its attention, and to take all steps at its own expense reasonably requested by the Disclosing Party to limit, stop or otherwise remedy such breach, misappropriation, disclosure or use.

13.4 Return or Destruction of Confidential Information. Upon the termination or expiration of this Agreement, the Receiving Party shall comply with the Disclosing Party's reasonable instructions regarding the disposition of the Disclosing Party's Confidential Information, which may include return of any and all the Disclosing Party's Confidential Information (including any electronic or paper copies, reproductions, extracts or summaries thereof); provided, however, that the Receiving Party in possession of tangible

property containing the Disclosing Party's Confidential Information may retain one archived copy of such material, subject to the terms of this Agreement, which may be used solely for regulatory purposes and may not be used for any other purpose. Such compliance shall be certified in writing, including a statement that no copies of Confidential Information have been kept, except as necessary for regulatory purposes.

ARTICLE XIV

EVENTS OF DEFAULT; RIGHTS AND REMEDIES

14.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by a Party hereunder:

(a) Such Party shall fail to make a payment of any material amount due and payable pursuant to this Agreement (other than the settlement of amounts due in respect of FDS Charge Transaction Data) and such failure shall remain un-remedied for a period of five (5) Business Days after the non-defaulting Party shall have given written notice thereof.

(b) Such Party shall fail to perform, satisfy or comply with any obligation, condition, covenant or other provision contained in this Agreement (other than failure to comply with any SLAs), and such failure shall remain unremedied for a period of thirty (30) days after the other Party shall have given written notice thereof specifying the nature of such failure in reasonable detail; provided that such failure shall not constitute an Event of Default if either (i) the defaulting Party shall have initiated and diligently pursued a cure within such time and such cure is completed within sixty (60) days from the date of written notice regarding such failure or (ii) such failure has not had and would not reasonably be expected to have, a material adverse effect on the licensed marks of the non-defaulting Party, and has not had, and would not reasonably be expected to have, a material adverse impact on the Program or the non-defaulting Party.

(c) Any representation or warranty by such Party contained in this Agreement shall not be true and correct in any respect as of the date when made, and the Party making such representation or warranty shall fail to cure the event giving rise to such breach within thirty (30) days after the other Party shall have given written notice thereof specifying the nature of such breach in reasonable detail; provided that such breach shall not constitute an Event of Default if either (i) the defaulting Party shall have initiated and diligently pursued a cure within such time and such cure is completed within sixty (60) days from the date of written notice regarding such breach or (ii) such breach has not had, and would not reasonably be expected to have, a material adverse effect on the licensed marks of the non-defaulting Party, and has not had, and would not reasonably be expected to have, a material adverse impact on the Program or the non-defaulting Party.

14.2 Defaults by Bank. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by Bank hereunder:

(a) Bank fails to settle FDS Charge Transaction Data and make payment in full therefor within twenty-four (24) hours of the time that such settlement payment is due pursuant to Section 8.4.

(b) CEBA Bank or Citibank, N.A. shall no longer be solvent or shall fail generally to pay its debts as they become due or there shall be a substantial cessation of the regular course of business of CEBA Bank or Citibank, N.A.

(c) The FDIC or any other regulatory authority having jurisdiction over CEBA Bank or Citibank, N.A. shall order the appointment of a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such entity or of any substantial part of its properties, or order the winding-up or liquidation of the affairs of such entity, and such order shall not be vacated, discharged, stayed or bonded within sixty (60) days from the date of entry thereof.

(d) CEBA Bank or Citibank, N.A. shall (i) consent to the institution of proceedings specified in paragraph (c) above or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such entity or of any substantial part of its properties, or (ii) take corporate or similar action in furtherance of any such action.

(e) During the Term, Bank Parent's senior unsecured debt rating falls to or below BBB+ according to Standard and Poor's rating system or to or below Baa1 according to Moody's Investors' Service rating system, or any such debt rating is withdrawn.

(f) Bank shall fail to meet one or more SLAs expressly giving rise to the right to terminate hereunder.

14.3 Defaults by the FDS Companies. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by the FDS Companies hereunder:

(a) FDS or the Equity Holder shall no longer be solvent or shall fail generally to pay its debts as they become due or there shall be a substantial cessation of FDS's regular course of business.

(b) A petition under the U.S. Bankruptcy Code or similar law shall be filed against FDS and not be dismissed within ninety (90) days.

(c) A decree or order by a court having jurisdiction (i) for relief in respect of FDS pursuant to Bankruptcy Code or any other applicable bankruptcy or other similar law, (ii) for appointment of a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of FDS or of any substantial part of its properties, or (iii) ordering the winding-up or liquidation of the affairs of FDS shall, in any such case be entered, and shall not be vacated, discharged, stayed or bonded within ninety (90) days from the date of entry thereof.

(d) FDS shall (i) file a petition seeking relief pursuant to the Bankruptcy Code or any other applicable bankruptcy or other similar law, (ii) consent to the institution of proceedings pursuant thereto or to the filing of any such petition or to the appointment

of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of FDS or any substantial part of its properties, or (iii) take corporate or similar action in furtherance of any such action.

14.4 Remedies for Events of Default. In addition to any other rights or remedies available to the Parties at law or in equity, upon the occurrence of an Event of Default pursuant to Section 14.1, 14.2 or 14.3, the non-defaulting Party shall be entitled to collect from the defaulting Party any amount indisputably in default plus interest based on the Federal Funds Rate.

ARTICLE XV

TERM/TERMINATION

15.1 Term. This Agreement shall continue in full force and effect for ten (10) years from the last to occur of the Second Closing Date or the Third Closing Date (the "Initial Term"). The Agreement shall renew automatically without further action of the Parties for a single three (3) year term (the "Renewal Term"), unless Bank provides written notice of termination at least one (1) year prior to the expiration of the Initial Term or an FDS Company provides written notice of termination at least six (6) months prior to the expiration of the Initial Term.

15.2 Termination by the FDS Companies Prior to the End of the Initial Term or Renewal Term. FDS, on behalf of the FDS Companies, may terminate this Agreement prior to the end of the Initial Term or the Renewal Term, upon written notice given not more than ninety (90) days after becoming aware of the occurrence of the relevant event set forth below, in the event of any of the following:

(a) after the occurrence of a Partner Event of Default;

(b) upon thirty (30) days' prior written notice if (i) there is a Change of Control of Bank Parent or (ii) one or more Persons that is not an Affiliate of Bank on the date of this Agreement acquires a direct or indirect controlling interest in Bank or any other Person conducting a substantial part of the Credit Card business conducted within the corporate group of Bank Parent or such corporate group otherwise disposes of or terminates a substantial part of such Credit Card business;

(c) upon thirty (30) days' prior written notice if there is a Change of Control of FDS if the other Party to such Change of Control transaction issues, offers or otherwise provides (either itself or through Affiliates) or is party to any contractual arrangement with any other Person to issue, offer or otherwise provide, any Credit Card in the United States;

(d) upon thirty (30) days' prior written notice if there is a change in Applicable Law and (i) such change would limit or otherwise restrict in any material respect the level of access and use by FDS and its Affiliates of the Cardholder Data as contemplated by this Agreement and (ii) the restrictions under Applicable Law on the level of access to or use of Cardholder Data by FDS and its Affiliates after giving effect to such change would be materially lessened if FDS and its Affiliates operated the Program themselves

and/or with a Person other than Bank; provided, however, that prior to delivering a notice of termination pursuant to this Section 15.2(d), FDS shall engage in good faith negotiations with Bank to modify the Program in a way that would preserve at least the same level of access and use of such data for the benefit of FDS and its Affiliates following the relevant change in Applicable Law as was permissible prior to the date of this Agreement, such negotiations not to terminate (in the absence of an agreement between the Parties on any modification) earlier than thirty (30) days after the earlier of (i) the date on which one of the Parties delivers a notice to the other that the relevant change in Applicable Law is likely to occur or (ii) the date on which the relevant change in Applicable Law takes effect; or

(e) upon termination of the Purchase Agreement by FDS pursuant to Section 10.2 or 10.3.

15.3 Termination by Bank Prior to the End of the Initial Term or Renewal Term. Bank may terminate this Agreement prior to the end of the Initial Term or the Renewal Term, upon written notice given not more than ninety (90) days after becoming aware of the occurrence of the relevant event set forth below, in the event of any of the following:

(a) after the occurrence of an FDS Event of Default;

(b) upon six months prior written notice following an Adverse Sales Development; or

(c) upon six months prior written notice following the consummation of a Change of Control of FDS if both (A) the other Party to such Change of Control issues, offers or otherwise provides (either itself or through Affiliates) or is party to any contractual arrangement with any other Person to issue, offer or otherwise provide, any Credit Card in the United States and (B) the Credit Card business of such other Party or such other contractual arrangement would have a material adverse effect on the Program.

15.4 Automatic Termination. Upon termination of the Purchase Agreement without the occurrence of the First Closing, this Agreement shall automatically terminate and shall be null and void.

ARTICLE XVI

EFFECTS OF TERMINATION

16.1 General Effects.

(a) All solicitations, marketing and advertising of the Program, other than acceptance of applications through the FDS Channels in the ordinary course of business consistent with past practice, shall cease upon the expiration or termination of this Agreement, except as the Parties may otherwise mutually agree; provided that the Parties shall continue to operate the Program in accordance with the terms of this Agreement and service the Accounts in good faith and in the ordinary course of their respective businesses, subject to the terms of this Agreement, until the provisions of Sections 16.2 and 16.3 are satisfied. The Parties shall cooperate to ensure the orderly wind-down or transfer of the Program.

(b) Upon the satisfaction of the provisions of Section 16.2 and 16.3, all obligations of the Parties under this Agreement shall cease, except that the provisions specified in Section 18.25 shall survive.

16.2 The FDS Companies' Option to Purchase the Program Assets.

(a) If this Agreement expires or is terminated by either Party for whatever reason, FDS has the option to purchase, or arrange the purchase by a third party nominated by FDS (a "Nominated Purchaser"), of the Program Assets from Bank.

(b) The purchase option given by Section 16.2(a) is exercisable by FDS or the Nominated Purchaser serving notice on Bank no later than sixty (60) days after the receipt of the information with respect to the Program Assets required to be delivered by Bank pursuant to Section 16.2(e).

(c) If such purchase option is exercised, FDS or the Nominated Purchaser must complete the purchase of the Program Assets within one hundred eighty (180) days after the notice has been given pursuant to Section 16.2(b); provided, however, that such time period shall be extended as necessary to obtain required regulatory approvals, rating agency consents, and to complete any interim or transition servicing obligation agreed to by FDS and Bank. The date of such completion shall be the "Program Purchase Date."

(d) In the event that FDS or the Nominated Purchaser exercises the purchase right, the purchase price shall be as follows:

(i) if the purchase right arises upon the expiration of the Initial Term or any Renewal Term, then such purchase price for the Program Assets shall be the Adjusted Fair Market Value of the Program Assets;

(ii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(a), then such purchase price for the Program Assets shall be the lower of (A) Fair Market Value of the Program Assets (which may be less than the amount of Cardholder Indebtedness) and (B) the amount of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program);

(iii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(b) or 15.3(b), then such purchase price for the Program Assets shall be an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (iii), shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus (B) if the termination occurs prior to the third anniversary of the date hereof and after the System Transition Date, an amount equal to the aggregate amount of all out-of-pocket costs and expenses incurred by Bank in connection with the conversion of the Program to the Bank Systems pursuant to Section 7.4 (the "Conversion Costs");

(iv) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(c) or 15.3(a), then such purchase price for the Program Assets shall be an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (iv) shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)), plus (B) from and after the Third Closing Date, the amount set forth in Schedule 16.2(d)(iv), plus (C) if the termination occurs prior to the third anniversary of the date hereof and after the Systems Transition Date, an amount equal to the Conversion Costs; provided that in no event shall the sum of the amounts set forth in clauses (A) and (B) be less than the sum of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus the Unamortized Premium;

(v) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(d), then such purchase price for the Program Assets shall be an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (v), shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus (B) if the termination occurs prior to the third anniversary of the date hereof and after the Systems Transition Date, an amount equal to the Conversion Costs; provided that in no event shall the amount set forth in clause (A) be less than the sum of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus the Unamortized Premium;

(vi) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(e), then such purchase price shall be equal to the sum of (A) Cardholder Indebtedness at the time of purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program) plus (B) any Premium and Additional Premium paid prior to such date plus (C) the excess, if any, of (i) the interest on such Premium and Additional Premium at a rate equal to the Federal Funds Rate over (ii) the aggregate amount of Pre-Tax Profit (but reduced by the FDS Profit Share) generated pursuant to this Agreement during the period from the Effective Date to the date of such purchase, plus (D) the cost (which may be a negative amount) of unwinding the funding strategy Bank has implemented at the request of FDS and its Affiliates, unless FDS elects to assume such funding arrangement; and

(vii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.3(c), then such purchase price shall be equal to the sum of (A) Cardholder Indebtedness at the time of purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program) plus (B) the Unamortized Premium.

Notwithstanding anything to the contrary contained in this Agreement, in the event of a purchase of Program Assets following a termination of this Agreement upon expiration of the Initial Term or Renewal Term, the purchase price payable for any Cardholder Indebtedness that was outstanding at the time of the First Closing Date, Second Closing Date or Third Closing Date, shall be the Fair Market Value of such Cardholder Indebtedness (without regard to the proviso contained in the definition thereof).

(e) The Parties shall use commercially reasonable efforts to minimize transaction costs and Bank shall provide FDS and the Nominated Purchaser and their respective representatives reasonable access to the records and accounts relating to the Program Assets for the purpose of conducting due diligence investigations to determine whether they wish to purchase the Program Assets and shall provide as soon as reasonably practicable (but in no event more than fifteen (15) days) following a request therefor from FDS or its Nominated Purchaser a master file of the Accounts (which shall include data for at least the twelve (12) month period preceding the month in which the master file is requested and shall be updated every thirty (30) days); provided, however, that Bank shall be entitled to require any Nominated Purchaser to enter into customary confidentiality arrangements before providing it with such access. The Parties shall promptly negotiate in good faith and execute a purchase agreement for the Program Assets to be purchased, which shall contain terms and conditions substantially similar to those in the Purchase Agreement (if applicable) (and, if FDS or the Nominated Purchaser elects to purchase the outstanding equity securities of CEBA Bank that are not owned by FDS or any of its Affiliates, terms and conditions customary for the sale of such an entity controlled by a third party). The Parties shall cooperate with one another in connection with the conversion of the Program Assets to the Systems of the FDS Companies or the Nominated Purchaser and Bank shall provide reasonable assistance to the FDS Companies or the Nominated Purchaser in connection with the conversion of the Program Assets, including the provision of interim services in accordance with the provisions of this Agreement until such conversion occurs. The Parties shall not unreasonably withhold or delay execution of such purchase agreement or any other documents necessary to effectuate such sale. The Parties shall use reasonable efforts to ensure that the Program Purchase Date occurs as promptly as reasonably practicable following the execution of such purchase agreement.

16.3 Dedicated Program Personnel. Upon termination or expiration of the Program for any reason and until the date that is ninety (90) days after Bank ceases to provide any services hereunder, FDS shall have the right to offer employment to employees and independent contractors of Bank and any of Bank's Affiliates that perform all or substantially all of their work for Bank or its Affiliates in connection with the Program. Bank shall cooperate with the FDS Companies in offering employment to such employees and independent contractors and transitioning such persons to the FDS Companies, including, subject to Applicable Law, providing reasonably requested information regarding such persons to the FDS Companies.

16.4 Rights of Bank if Purchase Option Not Exercised. If this Agreement expires or is terminated and FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or otherwise fails to exercise its option within the time period specified in Section 16.2, the FDS Companies shall have no further rights whatsoever in the Program Assets. In such event, the following provisions shall apply:

(a) Bank shall have the right at its sole discretion on or after the expiration or termination of this Agreement to:

(i) issue to Cardholders a replacement or substitute Credit Card (which card must not bear any FDS Licensed Marks or any other trademarks or source indicators confusingly similar thereto) with such characteristics as Bank considers appropriate and with the cost of card re-design and re-issue being borne by Bank; provided that the replacement or substitute Credit Card shall

not be issued in cooperation with any business referred to in Schedule 2.5 in any MSA within which the FDS Companies are still operating stores; provided, further, that the FDS Companies shall be permitted to add an enclosure to the last two (2) Billing Statements (with respect to each of the Private Label Accounts and the General Purpose Accounts) to the effect that the Program has been terminated;

(ii) subject to Applicable Law, notify Cardholders that Bank shall cease providing credit under the Accounts and require repayment of all amounts outstanding on all Accounts until all associated receivables have been repaid;

(iii) sell the Accounts and associated receivables to a third party purchaser, other than a competitor of FDS and its Affiliates (which shall include those companies listed on Schedule 2.5), selected by Bank at a price agreed between Bank and the purchaser; or

(iv) any combination of (i), (ii) and (iii).

(b) If this Agreement expires or is terminated and FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or otherwise fails to exercise its option within the time period specified in Section 16.2, the FDS Companies shall provide reasonable assistance in connection with the conversion of any Program Assets resident on FDS Systems to Bank Systems, including provision of interim services in accordance with the provisions of this Agreement until such conversion occurs, which shall not be later than one hundred eighty (180) days after FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or after the time period for FDS to exercise such option shall have expired. The Parties shall bear their respective costs and expenses of any such conversion and the transitioning of services performed by the FDS Companies to Bank.

(c) Within sixty (60) days after FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or after the time period for FDS to exercise such option shall have expired, Bank shall no longer use any of the FDS Licensed Marks (or any other trademarks or source indicators confusingly similar thereto) and must rebrand the FDS Credit Cards; provided that Bank may use the FDS Licensed Marks to communicate with Cardholders in connection with the billing and collection of Accounts and as otherwise required by Applicable Law for up to one hundred eighty (180) days after such written notice or expiration.

ARTICLE XVII

INDEMNIFICATION

17.1 FDS Indemnification of Bank. From and after the Effective Date, FDS shall indemnify and hold harmless Bank, its Affiliates, and its respective officers, directors and employees from and against and in respect of any and all losses, liabilities, damages (direct and indirect), costs and expenses of whatever nature, including reasonable attorneys' fees and expenses, which are caused or incurred by, result from, arise out of or relate to:

(a) any FDS Company's negligence or recklessness or willful misconduct (including acts and omissions) in performing its obligations under this Agreement;

(b) any breach by an FDS Company of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement; provided that a breach of any SLA set forth in Schedule 7.3 shall be subject to the remedies set forth in such Schedule;

(c) any actions or omissions of Bank taken or not taken at an FDS Company's written request or direction pursuant to this Agreement except where Bank would have been otherwise required to take such action (or refrain from acting) absent the request or direction of the FDS Companies;

(d) dishonest or fraudulent acts by an FDS Company, or any of its Affiliates, agents or employees, in connection with the Program (except to the extent charged back pursuant to Section 8.5);

(e) the sale of any FDS Goods and Services in an FDS Channel or any failure by the FDS Companies or their Affiliates to satisfy any of their obligations to third parties with respect to the sale by them to such third parties of FDS Goods and Services;

(f) any Solicitation Materials (i) distributed by an FDS Company and not approved by the Operating Committee or (ii) provided by Bank;

(g) any claim, suit or proceeding by any Governmental Authority or other third party arising out of the failure of FDS or any of its Affiliates to comply with Applicable Law in connection with the Program or the Operating Procedures, unless such failure was the result of any action taken or not taken by FDS or such Affiliate at the written request or direction of Bank or any of its Affiliates;

(h) the FDS Companies' Inserts or Billing Statement messages; and

(i) allegations by a third party that the use of the FDS Licensed Marks or the FDS Systems constitutes infringement, misappropriation, dilution or other violation of any Intellectual Property right of such third party.

17.2 Bank Indemnification of the FDS Companies. From and after the Effective Date, Bank shall indemnify and hold harmless the FDS Companies, their Affiliates and their respective officers, directors and employees from and against and in respect of any and all losses, liabilities, damages, costs and expenses of whatever nature, including reasonable attorneys' fees and expenses, which are caused or incurred by, result from, arise out of or relate to:

(a) its obligations under this Agreement;

(b) any breach by Bank or any of its Affiliates, employees or agents of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement or any Credit Card Agreement; provided that a breach of any SLA set forth in Schedule 7.3 shall be subject to the remedies set forth in such Schedule;

(c) any actions or omissions by any of the FDS Companies taken or not taken at the written request or direction of Bank or any of its Affiliates pursuant to this Agreement, except where the FDS Companies would have been otherwise required to take such action (or refrain from acting) absent such request or direction;

(d) dishonest or fraudulent acts by Bank, or any of its Affiliates, agents or employees, in connection with the Program;

(e) any failure by Bank or its Affiliates to satisfy any of their obligations to Cardholders with respect to the Program pursuant to the terms of the applicable Credit Card Agreements;

(f) any Account Documentation and Solicitation Materials approved by the Operating Committee and used by any of the FDS Companies in that form that fails to comply with Applicable Law;

(g) any claim, suit or proceeding by any third party (i) arising out of the failure of Bank or any of its Affiliates to comply with Applicable Law in connection with the Program unless such failure was the result of any action taken or not taken by Bank or such Affiliate at the specific written request or direction of the FDS Companies or (ii) to the extent arising out of the “Citigroup Privacy Promise for Consumers”;

(h) Bank’s Inserts or Billing Statement messages;

(i) allegations by a third party that the use of the Bank Licensed Marks or the Bank Systems constitutes infringement, misappropriation, dilution or other violation of any Intellectual Property right of such third party; and

(j) any capital or guarantee obligations of FDS Bank or its Affiliates with respect to the CEBA Bank required by law under Section 38 of the Federal Deposit Insurance Act.

17.3 Procedures.

(a) An Indemnified Party (as defined in Section 17.3(b)) shall promptly give the Indemnifying Party (as defined in Section 17.3(b)) notice of any matter (other than any third party claim, suit or action) upon determining that such matter has or may give rise to any right of indemnification pursuant to Article XVII hereof; provided that the failure by the Indemnified Party to give prompt notice of any such matter shall not limit the liability of the Indemnifying Party hereunder, except that this provision shall not be deemed to limit the Indemnifying Party’s rights to recover from the Indemnified Party to the extent of any loss, cost or expense which it can establish resulted directly from such failure to give prompt notice.

(b) In case any third party claim is made, or any third party suit or action is commenced, against a Party (the “Indemnified Party”), the Indemnified Party shall promptly give the other Party (the “Indemnifying Party”) notice thereof upon making a determination that such third party claim, suit or action may give rise to a right of indemnification under Article XVII hereof and the Indemnifying Party shall be entitled to participate in the defense thereof and, with prior written notice to the Indemnified Party given not later than twenty (20) days after the delivery of the applicable notice from the Indemnified Party, to assume, at the Indemnifying Party’s expense, the defense thereof, with counsel reasonably satisfactory to such Indemnified Party. After notice from the

Indemnifying Party to such Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party under this Section for any attorneys' fees or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, other than reasonable costs of investigation.

(c) The Indemnified Party shall have the right to employ its own counsel if the Indemnifying Party elects to assume such defense, but the fees and expenses of such counsel shall be at the Indemnified Party's expense, unless (i) the employment of such counsel has been authorized in writing by the Indemnifying Party, (ii) the Indemnifying Party has not employed counsel to take charge of the defense within twenty (20) days after delivery of the applicable notice or, having elected to assume such defense, thereafter ceases its defense of such action, or (iii) the Indemnified Party has reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events the attorneys' fees and expenses of counsel to the Indemnified Party shall be borne by the Indemnifying Party.

(d) The Indemnifying Party shall promptly notify the Indemnified Party if the Indemnifying Party desires not to assume, or participate in the defense of, any such third party claim, suit or action.

(e) The Indemnified Party or Indemnifying Party may at any time notify the other of its intention to settle or compromise any third party claim, suit or action against the Indemnified Party in respect of which payments may be sought by the Indemnified Party hereunder, and (i) the Indemnifying Party may settle or compromise any such claim, suit or action solely for the payment of money damages for which the Indemnified Party will be fully indemnified hereunder, but shall not agree to any other settlement or compromise without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld (it being agreed that any failure of an Indemnified Party to consent to any settlement or compromise involving relief other than monetary damages shall not be deemed to be unreasonably withheld), and (ii) the Indemnified Party may settle or compromise any such third party claim, suit or action solely for an amount not exceeding one thousand dollars (\$1,000), but shall not settle or compromise any other matter without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

17.4 Notice and Additional Rights.

(a) If an Indemnified Party fails to give prompt notice of any third party claim being made or any third party suit or action being commenced upon determining that such claim, suit or action has or may give rise to any right of indemnification pursuant to Article XVII, such failure shall not limit the liability of the Indemnifying Party; provided, however, that this provision shall not be deemed to limit the Indemnifying Party's rights to recover from the Indemnified Party to the extent of any loss, cost or expense which it can establish resulted directly from such failure to give prompt notice.

(b) Except as otherwise provided in the Agreement (including with respect to SLAs and risk management penalties), this Article XVII shall constitute the Parties' exclusive remedy for any of the matters addressed herein or other claim arising out of or relating to this Agreement; *provided, however*, that this provision shall not impair the ability of any Party to obtain specific performance or other equitable relief.

(c) Notwithstanding anything to the contrary in this Agreement, no Party shall be liable to the other for punitive or exemplary damages relating to or arising out of this Agreement, or any breach thereof or any of the transactions provided for therein, unless the Indemnified Party shall have become liable to a third party for any such amounts.

ARTICLE XVIII

MISCELLANEOUS

18.1 Securitization. Bank shall have the right to securitize or participate the Cardholder Indebtedness and the Accounts or any part thereof, by themselves or as part of a larger offering at any time, and, subject to Article XIII, shall have the right, to make all disclosures and filings associated with any such securitization or participation in accordance with Applicable Law and required by the terms of the securitization agreements (and, in the latter case, subject to appropriate confidentiality arrangements to the extent disclosure of Cardholder Data is required). Bank shall not securitize or participate the Cardholder Indebtedness in any manner that would not permit such arrangements to be unwound or that would not allow removal or substitution of the Program Assets in order to permit the FDS Companies to purchase the Program Assets pursuant to Article XVI. Without limiting the foregoing, Bank will structure any securitization or participation such that if FDS provides written notice to Bank in accordance with the provisions of this Agreement of FDS's exercise of its purchase option hereunder in accordance with Article XVI hereof, the securitization or participation arrangements will not impair FDS's rights to purchase the Accounts and the Gross Receivables arising thereunder or require the FDS Companies to assume, directly or indirectly, any obligation under any such securitization or participation. To the extent any of the FDS Licensed Marks are used in any securitization documents, such marks shall not be used in a way that adversely affects any of the FDS Companies or the FDS Licensed Marks.

18.2 Assignment. None of the FDS Companies, on the one hand, and Bank, on the other hand, shall assign this Agreement or any of their rights or obligations hereunder without the prior written consent of the other Party; provided, however, that, immediately following the First Closing, Bank shall assign this Agreement, and all of the rights and obligations contained herein (including licenses granted herein, notwithstanding any contrary limitation on sub-license rights) to CEBA Bank upon written notice to FDS Bank without any FDS Companies' consent, provided, however, that the indemnification obligations set forth in Article XVII shall not be assigned to the CEBA Bank but shall remain obligations of Citibank, N.A. and Citibank, N.A. shall remain directly liable therefor (regardless of whether the Person whose actions give rise to such indemnification obligations is "Bank", CEBA Bank, Citibank, N.A. or any other Person); provided, further, that the assigning party shall remain obligated and liable to the FDS Companies without diminution of such obligation or liability (or the other party's rights or benefits) by virtue of such assignment; and provided, further, that FDS Bank may assign this Agreement and all of its rights and obligations hereunder to FDS or any Subsidiary of FDS.

18.3 Sale or Transfer of Accounts. Except as otherwise provided in this Agreement, including as set forth in Sections 18.1 or 18.2, Bank shall not sell or transfer in whole or in part the Accounts.

18.4 Subcontracting. Except as set forth in Section 3.2(d)(vi), it is understood and agreed that, in fulfilling its obligations under this Agreement, no Person other than a Party hereto or its Affiliates may perform such Party's functions; provided that, to the extent any of the FDS Companies subcontract or outsource to any third party any services to be provided hereunder by the FDS Companies as of the date hereof, the FDS Companies and their Affiliates may continue to subcontract or outsource such services to any third party. Each Party hereto shall be responsible for functions performed by such Affiliates or other Persons to the same extent the Party would be responsible if it performed such functions itself.

18.5 Amendment. Except as provided herein, this Agreement may not be amended except by a written instrument signed by Bank and each of the FDS Companies.

18.6 Non-Waiver. No delay by a Party hereto in exercising any of its rights hereunder, or partial or single exercise of such rights, shall operate as a waiver of that or any other right. The exercise of one or more of a Party's rights hereunder shall not be a waiver of, or preclude the exercise of, any rights or remedies available to such Party under this Agreement or in law or at equity. Any waiver by a Party shall only be made in writing and executed by a duly authorized officer of such Party.

18.7 Severability. In case any one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and this Agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein and there had been contained herein instead such valid, legal and enforceable provisions as would most nearly accomplish the intent and purpose of such invalid, illegal or unenforceable provision.

18.8 Waiver of Jury Trial and Venue.

(a) Each Party hereby waives all right to trial by jury in any action or proceeding to enforce or defend any rights under this Agreement.

(b) Each Party hereby irrevocably submits to the jurisdiction of the United States District Court for the District of Delaware or, if such federal jurisdiction is unavailable, in the state courts of the State of Delaware over any action arising out of this Agreement, and each Party hereby irrevocably waives any objection which such Party may now or hereafter have to the laying of improper venue or *forum non conveniens*. Each Party agrees that a judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law. Any and all service of process and any other notice in any such suit, action or proceeding with respect to this Agreement shall be effective against a Party if given as provided herein.

18.9 Governing Law; Compliance with Law.

(a) This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

(b) Each Party shall comply in all material respects with Applicable Law in connection with its activities and the exercise of its rights and performance of its obligations hereunder.

18.10 Specific Performance. The Parties agree that money damages would not be a sufficient remedy for any breach of Article VI, X or XIII or the failure of a Party to perform any of its material obligations hereunder, and that, in addition to all other remedies, each Party will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any such breach or failure to perform its material obligations hereunder. Each Party waives any requirements for the securing or posting of any bond in connection with such remedy.

18.11 Captions. Captions of the articles and sections of this Agreement are for convenient reference only and are not intended as a summary of such articles or sections and do not affect, limit, modify or construe the contents thereof.

18.12 Notices. Any notice, approval, acceptance or consent required or permitted under this Agreement shall be in writing to the other Party and shall be deemed to have been duly given when delivered in person or, if sent by United States registered or certified mail, with postage prepaid, or by a nationally recognized overnight delivery service, when received, addressed as follows:

If to the FDS Companies:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Vice Chair – Finance
Facsimile: (513) 579-7462

With a copy to:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Facsimile: (513) 579-7354

With a copy to:

FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Facsimile: (513) 573-2720

If to Bank:

Citibank, N.A.
701 E. 60th North
Sioux Falls, South Dakota 57104
Attention: David Zimbeck
Facsimile: (605) 330-6745

With a copy to:

Citicorp Commerce Solutions
Attention: General manager
Four Parkway North
Deerfield, Illinois 60015
Fax: (847) 579-3259

With a copy to:

Citigroup Inc.
Attention: M&A Legal
425 Park Ave. 4th Floor
New York, New York 10043
Fax: (212) 793-6072

18.13 Coordination of Consents and Approvals. With respect to any consent or approval to be given by the FDS Companies, FDS may give consents or approvals on behalf of the other FDS Company and Bank shall be entitled to rely on any such consent or approval of FDS acting on behalf of any or all of the FDS Companies. With respect to any consent or approval to be given by Bank, Bank may give such consents or approvals.

18.14 Further Assurances. The FDS Companies and Bank agree to produce or execute such other documents or agreements as may be reasonably necessary or desirable for the execution and implementation of this Agreement and the consummation of the transactions specified herein and to take all such further action as the other Party may reasonably request in order to give evidence to the consummation of the transactions specified herein.

18.15 No Joint Venture. Nothing contained in this Agreement (including use of the term "Partner") shall be deemed or construed by the Parties or any third party to create the relationship of principal and agent, partnership, joint venture or of any association between the FDS Companies and Bank, and no act of either Party shall be deemed to create any such relationship. The FDS Companies and Bank each agree to such further actions as the other may reasonably request to evidence and affirm the non-existence of any such relationship.

18.16 Press Releases. The FDS Companies, on the one hand, and Bank, on the other hand, each shall obtain the prior written approval of the other Party with regard to the substance and timing of any press release which announces the execution of this Agreement or the transactions specified herein, which prior approval shall not unreasonably be withheld. At all times thereafter, the FDS Companies and Bank, prior to issuing any press releases concerning this Agreement or the transactions specified herein, shall consult with each other concerning the proposed substance and timing of such releases and give due consideration to the comments of the other Party relating thereto. The foregoing notwithstanding, it is understood that neither Party shall be required to obtain any prior consent, but shall consult with each other to the extent practicable, with regard to (a) filings, press releases and other announcements as may be required by Applicable Law or the applicable rules and regulations of any governmental agency or stock exchange and (b) publications prepared solely by and for employees of any of the FDS Companies or Bank, or their respective Affiliates.

18.17 No Set-Off. The FDS Companies and Bank agree that each Party has waived any right to set-off, combine, consolidate or otherwise appropriate and apply (i) any assets of the other Party held by the Party or (ii) any indebtedness or other liabilities at any time owing by the Party to the other Party, as the case may be, against or on account of any obligations owed by the other Party under this Agreement, except as expressly set forth herein.

18.18 Conflict of Interest. Each Party hereto, in performing its obligations hereunder, shall establish and maintain appropriate business standards, procedures and controls. Each Party shall review such standards, procedures and controls with reasonable frequency during the Term including those related to the activities of its employees and agents in their relations with the employees, agents and representatives of the other Party hereto and with other third parties.

18.19 Third Parties. There are no third-party beneficiaries to this Agreement. Except for the Indemnified Parties with respect to indemnity claims pursuant to Article XVII, the Parties do not intend: (i) the benefits of this Agreement to inure to any third party; or (ii) any rights, claims or causes of action against a Party to be created in favor of any person or entity other than the other Party.

18.20 Force Majeure. If performance of any service or obligation under this Agreement is prevented, restricted, delayed or interfered with by reason of labor disputes, strikes, acts of God, floods, lightning, severe weather, shortages of materials, rationing, utility or communication failures, earthquakes, war, revolution, acts of terrorism, civil commotion, acts of public enemies, blockade, embargo or any law, order, proclamation, regulation, ordinance, demand or requirement having legal effect of any government or any judicial authority or representative of any such government, or any other act whatsoever, whether similar or dissimilar to those referred to in this clause, which are beyond the reasonable control of a Party and could not have been prevented by reasonable precautions (each, a "Force Majeure Event"), then such Party shall be excused from such performance to the extent of and during the period of such Force Majeure Event. A Party excused from performance pursuant to this Section 18.20 shall exercise all reasonable efforts to continue to perform its obligations hereunder, including by implementing its disaster recovery and business continuity plan as provided in Section 7.3(e), and shall thereafter continue with reasonable due diligence and good faith to remedy its inability to so perform except that nothing herein shall obligate either Party to settle a strike or other labor dispute when it does not wish to do so. Notwithstanding the foregoing, if a condition constituting a Force Majeure Event with respect to Bank, on the one hand, or an FDS Company on the other hand, exists for more than thirty (30) consecutive days (or five (5) consecutive days in the case of any Force Majeure Event affecting any payment obligation hereunder), this provision shall cease to apply and all rights and remedies of the other Party shall be reinstated as if this provision had not applied.

18.21 Entire Agreement. This Agreement, together with the Schedules hereto which are expressly incorporated herein by reference, and the Purchase Agreement, supersedes any other agreement, whether written or oral, that may have been made or entered into by the FDS Companies and Bank (or by any officer or employee of any such Parties) relating to the matters specified herein, and constitutes the entire agreement by the Parties related to the matters specified herein or therein.

18.22 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. This Agreement is the product of negotiation by the Parties having the assistance of counsel and other advisers. It is the intention of the Parties that this Agreement not be construed more strictly with regard to one Party than with regard to the other.

18.23 Counterparts/Facsimiles. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

18.24 Financial Statements. If, at any time during the Term, FDS is no longer required to publicly file financial statements pursuant to the Exchange Act or otherwise, FDS shall promptly deliver to Bank quarterly and annual financial statements in form and substance similar to those required pursuant to the Exchange Act, as reasonably requested by Bank from time to time.

18.25 Survival. Upon the expiration or termination of this Agreement, the Parties shall have the rights and remedies described herein. Upon such expiration or termination, all obligations of the Parties under this Agreement shall cease, except that the obligations of the Parties pursuant to Section 3.4(e) (Partner Program Team), Article VI (Cardholder Information), Section 8.5 (Bank's Right to Charge Back), Article X (Intellectual Property), Article XII (Access, Audit and Dispute Resolution), Article XIII (Confidentiality), Article XVI (Effects of Termination), Article XVII (Indemnification), Section 18.8 (Waiver of Jury Trial and Venue) and 18.9 (Governing Law; Compliance with Law) shall survive the expiration or termination of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed as of the date first above written.

CITIBANK, N.A.

By: /s/ Ray Quinlan

Name: Ray Quinlan

Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe

Name: Ronald W. Tysoe

Title: Vice Chair

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: President and Chief Financial Officer

FACS GROUP, INC.

By: /s/ Amy Hanson

Name: Amy Hanson

Title: President

SCHEDULE 1.1(a)**Approved Ancillary Products**

<u>PROGRAM NAME</u>	<u>STATUS</u>	<u>TYPE</u>
Auto Advantage Gold	active	club
Great Fun Club	active	club
Privacy Guard	active	club
Clever Club Children's Club	runoff	club
Complete Home	runoff	club
Creditline	runoff	club
CUC Dine	runoff	club
CUC Warranty	runoff	club
Digital Plus Club	runoff	club
Encore Travel	runoff	club
Hotline	runoff	club
Hotline Club	runoff	club
Just For Me Club	runoff	club
Roadgard	runoff	club
Travelers Advantage	runoff	club
TRW Credentials	runoff	club
Womansense/Childsense	runoff	club
Balboa - Renter's Insurance	active	insurance
Hospital Accident Protection	active	insurance
Income Protector Plus	active	insurance
Progeny Accident Protection Plan	active	insurance
Progeny Accidental Death Coverage	active	insurance
Progeny HAP/ HAP Ins.	active	insurance
Progeny Hospital Indemnity	active	insurance
Progeny Term Life Insurance	active	insurance
Sign & Drive/ Auto Accident Ins.	active	insurance
Beneficial	runoff	insurance
CCS	runoff	insurance
Comm Travel/ABIG AD&D	runoff	insurance
Coverdell AD&D	runoff	insurance
Credit Comm/CPS	runoff	insurance
First Colony Life	runoff	insurance
GEFA HAPI Ins/Aegon Plan Plus	runoff	insurance
GEFA Health Extras	runoff	insurance
GEFA Heart/Cancer/Stroke	runoff	insurance
GEFA Juvenile Life	runoff	insurance
InterAmerica	runoff	insurance
iTrust Fraud Alert	runoff	insurance
TSG Auto	runoff	insurance
TSG CSP	runoff	insurance

<u>PROGRAM NAME</u>	<u>STATUS</u>	<u>TYPE</u>
TSG Dental	runoff	insurance
Bonus AD	active	Major Ins.
Debt Cancellation	active	Major Ins.
Accountgard	runoff	Major Ins.
AD&D	runoff	Major Ins.

SCHEDULE 1.1(b)

Bank Licensed Marks



SCHEDULE 1.1(c)**FDS Credit Cards**

	Co-Branded Credit Card	Private Label Credit Card
Star Rewards		
Macy's Red	X	X
Macy's Gold	X	X
Macy's Platinum	X	X
Macy's Elite	X	X
FAMILY OF CARDS		
MACYS PREMIER		X
MACYS PRESIDENTS CLUB		X
MACYS PREMIER Visa	X	
MACYS PRESIDENTS CLUB Visa	X	
BON-MARCHE VISA *	X	
THE BON-MACYS VISA *	X	
BON-MACYS VISA *	X	
BON-MARCHE REWARDS VISA *	X	
BON-MACYS REWARDS *		X
THE BON-MARCHE PREFERRED *		X
THE BON-MARCHE PREMIER *		X
THE BON-MARCHE PREMIER PLUS *		X
THE BON-MARCHE PREMIER VISA *	X	
BURDINES Premier *		X
BURDINES PREFERRED *		X
BURDINES Premier Plus *		X
BURDINES MACYS VISA *	X	
BURDINES MACYS Premier *		X
BURDINES MACYS PREFERRED *		X
BURDINES MACYS PREMIER PLUS *		X
BURDINES MACYS PREMIER PLUS VISA *	X	
 RICH's Premier *		X
RICH's Premier Advantage *		X
RICH's Premier VISA Advantage *	X	
LAZARUS Premier *		X
LAZARUS Premier Advantage *		X
LAZARUS Premier VISA Advantage *	X	
GOLDSMITH'S Premier *		X
GOLDSMITH'S Premier Advantage *		X
GOLDSMITH'S Premier VISA Advantage *	X	

Bloomingdale's

BLOOMINGDALE'S VISA	X	
BLOOMINGDALE'S PREMIER VISA	X	
BLOOMINGDALE'S ULTIMATE PREMIER		X
BLOOMINGDALE'S ULTIMATE PREMIER VISA	X	

SAV cards

LAZARUS-MACYS SELECT	X	
GOLDSMITH'S-MACYS SELECT	X	
RICH'S-MACY'S SELECT	X	
BURDINES SELECT	X	
BON-MACYS CASCADE VISA	X	
BLOOMINGDALES	X	
MACYS OPTIONS VISA	X	
Wedding Channel.com	X	X

Employee Card (has all name plates on it)

MACY*S, Burdines, RICH'S, Lazarus, The Bon Marche, Goldsmith's, Bloomingdale's		X
--	--	---

[redacted]

* [redacted]

SCHEDULE 1.1(e)**FDS Licensed Marks**

<u>Trademark</u>	<u>Registration No.</u>
BURDINES (SM)	1,799,777
THE BON (SM)	1,154,284
THE BON MARCHE	2,129,644
RICH'S (SM)	1,126,482
LAZARUS (SM)	1,422,340
GOLDSMITH'S (SM)	1,843,309
BON-MACY'S	78/481569
LAZARUS-MACY'S	78/481586
RICH'S-MACY'S	78/481602
GOLDSMITH'S-MACY'S	78/481620
BURDINES-MACY'S	78/481634
MACY'S	78,333
MACY'S	355,755
MACY'S	360,801
MACY'S	922,972
MACY'S	355,446
BLOOMINGDALE'S (SM)	1,581,982
BLOOMINGDALE'S	945,425
BLOOMINGDALE'S	1,999,984
BLOOMINGDALE'S	2,010,033

SCHEDULE 1.1(f)

High Collar and Low Collar

“High Collar” means (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

“Low Collar” means (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

SCHEDULE 1.1(g)

Partner Servicing Charge and FDS Servicing Charge

Partner Servicing Charge

For each Fiscal Month, [redacted].

FDS Servicing Charge

For each Fiscal Month [redacted].

Schedule 1.1(i)

Pre-Tax Profit, FDS Profit Share, Program Expenses and Program P&L

“FDS Profit Share” means the sum of: [redacted]

The attached form of Program P&L shall be prepared on a monthly basis in accordance with this definition of FDS Profit Share.

“Pre-Tax Adjusted ROAA” equals [redacted].

“Pre-Tax Profit” means the sum of: [redacted].

“Program Expenses” means the sum of the following (without duplication): [redacted].

Schedule 1.1(j)**Transition Plan**

The Transition Plan will take into consideration all necessary components, including the following components:

Component	Description
Transition Team & Responsibilities	<ul style="list-style-type: none">• Designation of managers responsible for developing and executing the Transition Plan (along with interview process as necessary)• Establish project management protocol (e.g., meetings, progress reports, etc.)
Milestones/Priorities	<ul style="list-style-type: none">• Identification of the major milestones and priorities that constitute the Transition Plan including, but not limited to any transfer of operational functions, integration or transfer of management responsibilities, establishment of data sharing protocols, planning and diligence for a potential systems conversion, linkage to planned retail and credit strategies for May Co., etc.
Timing	<ul style="list-style-type: none">• Denotation of key dates for each major milestone of the Transition Plan considering the FDS Marketing Plan, seasonality of FDS' business, systems freeze periods, the May Co. integration plan, etc.
Estimated Costs	<ul style="list-style-type: none">• Budget estimates for each milestone of the Transition Plan and for the Transition Plan, in aggregate
Human Resources	<ul style="list-style-type: none">• [redacted].
Transition Risk Mitigation	<ul style="list-style-type: none">• [redacted].
Customer Impact Analysis and Communication Plan	<ul style="list-style-type: none">• Identification of all major implications for FDS customers and cardholders and a review of how the Transition Plan will mitigate risk to the customer (quality monitoring, testing plans, etc.)• Develop a comprehensive cardholder communication plan (notifications, documentation, etc.)
Store Impact Analysis and Communication Plan	<ul style="list-style-type: none">• Identification of all major implications for FDS stores and how the Transition Plan will mitigate risk to the stores (e.g., any POS impact, etc.)• Develop a comprehensive communication plan for the stores (documentation, training, etc.)

SCHEDULE 1.1(k)**Unamortized Premium**

Note: to be updated as of each of the First Closing, the Second Closing and the Third Closing.

[redacted].

(\$ in 000s)

Period Ending on Anniversary of Effective Date Set Forth Below	Unamortized Premium with respect to the FDS Assets	Unamortized Premium with respect to the GE/Macy's Assets	Unamortized Premium with respect to the May Assets	Unamortized Premium
May-05				
Jun-05				
Jul-05				
Aug-05	[redacted]			[redacted]
Sep-05	[redacted]			[redacted]
Oct-05	[redacted]			[redacted]
Nov-05	[redacted]			[redacted]
Dec-05	[redacted]			[redacted]
Jan-06	[redacted]			[redacted]
Feb-06	[redacted]			[redacted]
Mar-06	[redacted]			[redacted]
Apr-06	[redacted]			[redacted]
May-06	[redacted]	[redacted]	[redacted]	[redacted]
Jun-06	[redacted]	[redacted]	[redacted]	[redacted]
Jul-06	[redacted]	[redacted]	[redacted]	[redacted]
Aug-06	[redacted]	[redacted]	[redacted]	[redacted]
Sep-06	[redacted]	[redacted]	[redacted]	[redacted]
Oct-06	[redacted]	[redacted]	[redacted]	[redacted]
Nov-06	[redacted]	[redacted]	[redacted]	[redacted]
Dec-06	[redacted]	[redacted]	[redacted]	[redacted]
Jan-07	[redacted]	[redacted]	[redacted]	[redacted]
Feb-07	[redacted]	[redacted]	[redacted]	[redacted]
Mar-07	[redacted]	[redacted]	[redacted]	[redacted]
Apr-07	[redacted]	[redacted]	[redacted]	[redacted]
May-07	[redacted]	[redacted]	[redacted]	[redacted]
Jun-07	[redacted]	[redacted]	[redacted]	[redacted]
Jul-07	[redacted]	[redacted]	[redacted]	[redacted]
Aug-07	[redacted]	[redacted]	[redacted]	[redacted]

Period Ending on Anniversary of Effective Date Set Forth Below	Unamortized Premium with respect to the FDS Assets	Unamortized Premium with respect to the GE/Macy's Assets	Unamortized Premium with respect to the May Assets	Unamortized Premium
Sep-07	[redacted]	[redacted]	[redacted]	[redacted]
Oct-07	[redacted]	[redacted]	[redacted]	[redacted]
Nov-07	[redacted]	[redacted]	[redacted]	[redacted]
Dec-07	[redacted]	[redacted]	[redacted]	[redacted]
Jan-08	[redacted]	[redacted]	[redacted]	[redacted]
Feb-08	[redacted]	[redacted]	[redacted]	[redacted]
Mar-08	[redacted]	[redacted]	[redacted]	[redacted]
Apr-08	[redacted]	[redacted]	[redacted]	[redacted]
May-08	[redacted]	[redacted]	[redacted]	[redacted]
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]
Jul-08	[redacted]	[redacted]	[redacted]	[redacted]
Aug-08	[redacted]	[redacted]	[redacted]	[redacted]
Sep-08	[redacted]	[redacted]	[redacted]	[redacted]
Oct-08	[redacted]	[redacted]	[redacted]	[redacted]
Nov-08	[redacted]	[redacted]	[redacted]	[redacted]
Dec-08	[redacted]	[redacted]	[redacted]	[redacted]
Jan-09	[redacted]	[redacted]	[redacted]	[redacted]
Feb-09	[redacted]	[redacted]	[redacted]	[redacted]
Mar-09	[redacted]	[redacted]	[redacted]	[redacted]
Apr-09	[redacted]	[redacted]	[redacted]	[redacted]
May-09	[redacted]	[redacted]	[redacted]	[redacted]
Jun-09	[redacted]	[redacted]	[redacted]	[redacted]
Jul-09	[redacted]	[redacted]	[redacted]	[redacted]
Aug-09	[redacted]	[redacted]	[redacted]	[redacted]
Sep-09	[redacted]	[redacted]	[redacted]	[redacted]
Oct-09	[redacted]	[redacted]	[redacted]	[redacted]
Nov-09	[redacted]	[redacted]	[redacted]	[redacted]
Dec-09	[redacted]	[redacted]	[redacted]	[redacted]
Jan-10	[redacted]	[redacted]	[redacted]	[redacted]
Feb-10	[redacted]	[redacted]	[redacted]	[redacted]
Mar-10	[redacted]	[redacted]	[redacted]	[redacted]
Apr-10	[redacted]	[redacted]	[redacted]	[redacted]
May-10	[redacted]	[redacted]	[redacted]	[redacted]
Jun-10	[redacted]	[redacted]	[redacted]	[redacted]
Jul-10	[redacted]	[redacted]	[redacted]	[redacted]
Aug-10	[redacted]	[redacted]	[redacted]	[redacted]

Period Ending on Anniversary of Effective Date Set Forth Below	Unamortized Premium with respect to the FDS Assets	Unamortized Premium with respect to the GE/Macy's Assets	Unamortized Premium with respect to the May Assets	Unamortized Premium
Sep-10	[redacted]	[redacted]	[redacted]	[redacted]
Oct-10	[redacted]	[redacted]	[redacted]	[redacted]
Nov-10	[redacted]	[redacted]	[redacted]	[redacted]
Dec-10	[redacted]	[redacted]	[redacted]	[redacted]
Jan-11	[redacted]	[redacted]	[redacted]	[redacted]
Feb-11	[redacted]	[redacted]	[redacted]	[redacted]
Mar-11	[redacted]	[redacted]	[redacted]	[redacted]
Apr-11	[redacted]	[redacted]	[redacted]	[redacted]
May-11	[redacted]	[redacted]	[redacted]	[redacted]
Jun-11	[redacted]	[redacted]	[redacted]	[redacted]
Jul-11	[redacted]	[redacted]	[redacted]	[redacted]
Aug-11	[redacted]	[redacted]	[redacted]	[redacted]
Sep-11	[redacted]	[redacted]	[redacted]	[redacted]
Oct-11	[redacted]	[redacted]	[redacted]	[redacted]
Nov-11	[redacted]	[redacted]	[redacted]	[redacted]
Dec-11	[redacted]	[redacted]	[redacted]	[redacted]
Jan-12	[redacted]	[redacted]	[redacted]	[redacted]
Feb-12	[redacted]	[redacted]	[redacted]	[redacted]
Mar-12	[redacted]	[redacted]	[redacted]	[redacted]
Apr-12	[redacted]	[redacted]	[redacted]	[redacted]
May-12	[redacted]	[redacted]	[redacted]	[redacted]
Jun-12	[redacted]	[redacted]	[redacted]	[redacted]
Jul-12	[redacted]	[redacted]	[redacted]	[redacted]
Aug-12	[redacted]	[redacted]	[redacted]	[redacted]
Sep-12	[redacted]	[redacted]	[redacted]	[redacted]
Oct-12	[redacted]	[redacted]	[redacted]	[redacted]
Nov-12	[redacted]	[redacted]	[redacted]	[redacted]
Dec-12	[redacted]	[redacted]	[redacted]	[redacted]
Jan-13	[redacted]	[redacted]	[redacted]	[redacted]
Feb-13	[redacted]	[redacted]	[redacted]	[redacted]
Mar-13	[redacted]	[redacted]	[redacted]	[redacted]
Apr-13	[redacted]	[redacted]	[redacted]	[redacted]
May-13	[redacted]	[redacted]	[redacted]	[redacted]
Jun-13	[redacted]	[redacted]	[redacted]	[redacted]
Jul-13	[redacted]	[redacted]	[redacted]	[redacted]
Aug-13	[redacted]	[redacted]	[redacted]	[redacted]
Sep-13	[redacted]	[redacted]	[redacted]	[redacted]

<u>Period Ending on Anniversary of Effective Date Set Forth Below</u>	<u>Unamortized Premium with respect to the FDS Assets</u>	<u>Unamortized Premium with respect to the GE/Macy's Assets</u>	<u>Unamortized Premium with respect to the May Assets</u>	<u>Unamortized Premium</u>
Oct-13	[redacted]	[redacted]	[redacted]	[redacted]
Nov-13	[redacted]	[redacted]	[redacted]	[redacted]
Dec-13	[redacted]	[redacted]	[redacted]	[redacted]
Jan-14	[redacted]	[redacted]	[redacted]	[redacted]
Feb-14	[redacted]	[redacted]	[redacted]	[redacted]
Mar-14	[redacted]	[redacted]	[redacted]	[redacted]
Apr-14	[redacted]	[redacted]	[redacted]	[redacted]
May-14	[redacted]	[redacted]	[redacted]	[redacted]
Jun-14	[redacted]	[redacted]	[redacted]	[redacted]
Jul-14	[redacted]	[redacted]	[redacted]	[redacted]
Aug-14	[redacted]	[redacted]	[redacted]	[redacted]
Sep-14	[redacted]	[redacted]	[redacted]	[redacted]
Oct-14	[redacted]	[redacted]	[redacted]	[redacted]
Nov-14	[redacted]	[redacted]	[redacted]	[redacted]
Dec-14	[redacted]	[redacted]	[redacted]	[redacted]
Jan-15	[redacted]	[redacted]	[redacted]	[redacted]
Feb-15	[redacted]	[redacted]	[redacted]	[redacted]
Mar-15	[redacted]	[redacted]	[redacted]	[redacted]
Apr-15	[redacted]	[redacted]	[redacted]	[redacted]
May-15	[redacted]	[redacted]	[redacted]	[redacted]
Jun-15	[redacted]	[redacted]	[redacted]	[redacted]
Jul-15	[redacted]	[redacted]	[redacted]	[redacted]
Aug-15	[redacted]	[redacted]	[redacted]	[redacted]
Sep-15	[redacted]	[redacted]	[redacted]	[redacted]
Oct-15	[redacted]	[redacted]	[redacted]	[redacted]
Nov-15	[redacted]	[redacted]	[redacted]	[redacted]
Dec-15	[redacted]	[redacted]	[redacted]	[redacted]
Jan-16	[redacted]	[redacted]	[redacted]	[redacted]
Feb-16	[redacted]	[redacted]	[redacted]	[redacted]
Mar-16	[redacted]	[redacted]	[redacted]	[redacted]
Apr-16	[redacted]	[redacted]	[redacted]	[redacted]
May-16	[redacted]	[redacted]	[redacted]	[redacted]
and thereafter				

SCHEDULE 1.1(l)

Marketing Commitments

Additional Marketing Commitment:

- For the period from the Effective Date through the end of Fiscal Year 2005, (FDS Accounts only) - \$[redacted]
- For Fiscal Year 2006:
[redacted]
- For Fiscal Year 2007 and thereafter:
[redacted]

FDS Marketing Commitment:

- For the period from the Effective Date through the end of Fiscal Year 2005, (FDS Accounts only) - \$[redacted]
- For Fiscal Year 2006:
[redacted]
- For Fiscal Year 2007 and thereafter:
[redacted]

SCHEDULE 1.1(m)

Funding Costs

“Funding Costs” or “FC” means

$$FC = ((\text{Total Portfolio} - \text{Fixed Funding}) \times VR) + (\text{Fixed Funding} \times FR)$$

provided that, with respect to any settlement period, funding costs shall be equal to the product of FC multiplied by a fraction, the numerator of which shall be the actual days in the fiscal period and the denominator of which shall be 360.

“Fixed Funding” means a predetermined dollar amount of funding determined by FDS; FDS shall give notice of such initial dollar amount to Bank no later than thirty (30) days prior to each of the First Closing Date, the Second Closing Date and the Third Closing Date. [redacted].

“Fixed Rate” or “FR” shall mean an initial startup caterpillar (ladder) of 1, 2, 3, 4 and 5 year money (equally distributed) based on the swap offer rates as set forth on Bloomberg page IRSB for USD (except in the case of 1 year money which shall be based on the 12 month USD LIBOR rate as set forth on Bloomberg page LR) at or around 10 A.M. on the last Business Day immediately preceding each of the First Closing Date, the Second Closing Date and the Third Closing Date, as applicable (and if such rate is not so reported, such offered rate as reported in another publication reasonably acceptable to the Parties). Any additional tranches related to portfolio seasonality and growth, as well as all maturing tranches, will be funded at the 5 year swap offer rate as set forth on Bloomberg page IRSB for USD at or around 10 A.M. on the last Business Day immediately preceding the date of measurement (and if such rate is not so reported, such offer rate as reported in another publication reasonably acceptable to the Parties). All rates/indexes shall be converted to actual days over 360 days basis prior to interest calculation.

“Total Portfolio” means the sum of Cardholder Indebtedness under all Accounts.

“Variable Rate” or “VR” shall mean the annual rate of interest determined by Bank as being the rate available for LIBOR One Month loans, as set forth in the Money Rates section of *The Wall Street Journal*, on the last Business Day immediately preceding the date of measurement (and if such rate is not so reported, such offered rate as reported in another publication reasonably acceptable to the Parties). All rates/indexes shall be converted to actual days over 360 days basis prior to interest calculation.

SCHEDULE 1.1(n)

Interim Services

The FDS Companies shall perform, until the applicable Services Transition Date, the following services (the “Interim Services”):

- (i) implement all Risk Management Policies;
- (ii) in accordance with Sections 7.2 and 7.3, process remittances from Cardholders;
- (iii) in accordance with Sections 7.2 and 7.3, prepare, process and mail Credit Card Documentation, Inserts, privacy policy notices, change in terms notices and other communications to Cardholders, and provide the FDS Companies with adequate supplies of Credit Card Applications;
- (iv) in accordance with Sections 7.2 and 7.3, handle collection and recovery efforts in respect of Accounts other than Early Age Collection efforts; and
- (v) each other service to be performed by Bank pursuant to the Agreement that the Parties agree in writing shall be performed by the FDS Companies.

SCHEDULE 2.2

Right of First Offer

“Right of First Offer” means that if FDS desires to transfer any Significant Portfolio to a third party pursuant to Section 2.3(b), FDS shall first provide notice to Bank of such proposed transfer, including proposed terms and conditions of such transfer, and Bank shall have thirty (30) days from receipt of such notice to make an offer to purchase the Significant Portfolio on such terms and conditions. If Bank elects to make such an offer during such time period, FDS shall negotiate in good faith with Bank to arrive at an agreement. In the event that FDS and Bank fail to reach agreement on the principal terms thereof within thirty (30) days from the date of Bank’s initial proposal to FDS, FDS shall be free to transfer such Significant Portfolio without Bank’s participation; provided that FDS shall not transfer such Significant Portfolio upon financial terms that are in the aggregate less favorable to FDS than the terms and conditions included in the initial notice to Bank (without first re-offering the Significant Portfolio to Bank in accordance with this Right of First Offer).

SCHEDULE 2.3(a)

Purchase Procedures for Small Portfolio

(a) FDS shall provide written notice to Bank, within thirty (30) days following the date of consummation of the transaction resulting in the acquisition of the Small Portfolio. Following such notice, promptly upon request of Bank and following receipt of a duly executed confidentiality agreement, FDS shall provide such portfolio information as is reasonably required by Bank to allow for its valuation of the Small Portfolio.

(b) Within thirty (30) days after receipt of the notice referred to in clause (a) above, Bank shall provide a written offer (the “Initial Offer”) to FDS specifying the price that Bank is willing to pay for the Small Portfolio, which price (the “Portfolio Price”) shall be expressed as (1) the full face value of the Gross Receivables in the Small Portfolio plus (2) the aggregate dollar amount, if any, above or below such Gross Receivables amount proposed to be paid (the “Premium/Discount”); provided, however, that Bank shall be permitted to conduct confirmatory due diligence on the Small Portfolio solely for the purpose of ascertaining the Portfolio Price (it being understood that any such determination of Portfolio Price shall reflect (i) the anticipated future performance of the Small Portfolio under the Agreement assuming the existing economics contemplated by the Program Agreement and (ii) the impact of any contingent liabilities associated with the Small Portfolio). If FDS, in its sole discretion, determines that the Initial Offer is acceptable to it, FDS shall notify Bank in writing within fifteen (15) days of receipt of the Initial Offer that it accepts such offer.

(c) In the event FDS rejects the Initial Offer, FDS and Bank each shall choose its own appraiser, who shall be retained at such Party’s expense, to determine the value of the Small Portfolio (which value shall be expressed as a Portfolio Price as referenced above). The appraisers shall be instructed that the Portfolio Price shall reflect (i) the anticipated future performance of the Small Portfolio under the Agreement assuming the existing economics contemplated by the Program Agreement and (ii) the impact of any contingent liabilities associated with the Small Portfolio. FDS will, promptly upon request and upon receipt of a duly executed confidentiality agreement from the applicable appraiser, release such information regarding the Small Portfolio as such appraiser may reasonably require for its valuation. If the Premiums/Discounts comprising the Portfolio Prices determined by each appraiser differ by less than percent (5%) of the lesser of the two Premiums/Discounts determined by each appraiser, the Premium/Discount shall be equal to the average of the two Premiums/Discounts in the initial appraisals.

If the Premiums/Discounts determined by the two appraisers differ by five percent (5%) or greater than percent (5%) of the lesser of the two Premiums/Discounts determined by each appraiser, the two appraisers performing the initial appraisal shall select a third appraiser (with the expense of such appraiser to be shared equally by FDS and Bank) who shall value the Small Portfolio. The highest and lowest valuations among the Initial Offer and the three appraisals shall then be eliminated and the Premium on the purchase price shall equal the average of the two remaining valuations.

SCHEDULE 2.5

Partner Exclusivity

[redacted]

The restrictions set forth in Sections 2.5 and 3.4(e) shall not apply to the extent any of the foregoing retailers are owned by FDS or any of its Affiliates. Additionally, the restrictions in Section 2.5 shall not apply in the event that Bank or any of its Affiliates or any of Bank's Credit Card program partners shall acquire, by merger, purchase or otherwise, any person that issues, offers or markets Credit Cards bearing any of the foregoing names or is a party to any program, agreement or arrangement that provides for any such issuance at the time of such acquisition.

SCHEDULE 3.2(e)(ii)(D)

Citi Cards Risk Management Policy Concerns to be Addressed

During the 12 Fiscal Month Period Following the Effective Date

[redacted]

SCHEDULE 3.2(f)

FDS Matters

[redacted]

SCHEDULE 3.2(g)

Partner Matters

[redacted]

SCHEDULE 3.2(g)(iv)

Certain Cardholder Terms

- APR (standard, promotional, default, debt management agencies, as well as FCI calculation methodology - fixed or variable, frequency and floor)
- Late Fee - dollar amount and methodology of assessment
- Over limit Fee - dollar amount and methodology of assessment
- Grace Period - number of days
- Minimum Payment Requirement – dollar amount and methodology of assessment
- NSF/Returned Check Fee - dollar amount and methodology of assessment
- Minimum Finance Charge - dollar amount and methodology of assessment
- ISF (International Service Fee) - dollar amount and methodology of assessment
- Cash Advance Fee - dollar amount and methodology of assessment
- Pay by phone Fee - dollar amount and methodology of assessment
- Annual Fee - dollar amount and methodology of assessment
- Statement Reproduction Fee
- Replacement Card Fee - dollar amount and methodology of assessment
- Balance Transfer Fee - dollar amount and methodology of assessment
- Inactive Cardholder Fee - dollar amount and methodology of assessment
- Method of computing Average Daily Balance
- Additional Pricing Terms that change with customer behavior (i.e., Universal Default)

SCHEDULE 4.1(b)

Operating Procedures

See attached Operating Procedures.

During the initial 18 months after the Effective Date, Bank may propose changes to the Operating Procedures to conform the Program to procedures/practices followed by Bank with respect to its other credit card programs (or partner programs as appropriate). In connection with any such proposal, Bank shall provide to the Operating Committee a description of such changes (including the proposed timing thereof), information with respect to the expected impact on the operation of the Program and other information reasonably requested by the Operating Committee. The Operating Committee shall consider such changes in good faith and shall not unreasonably withhold consent to such changes that do not adversely impact the FDS Channels or servicing thereof, the Loyalty Program or the customer experience; *provided* that, in each such case, Bank shall bear the cost of any such change, which cost shall not be a Program Expense.

Following the initial 18 months after the Effective Date, changes to Operating Procedures will be subject to the approval of the Operating Committee and appropriate expense treatment.

SCHEDULE 4.2(a)(iv)

Early Age Collections¹

Delinquency Status

# of Days	Month 1		Month 2		Month 3	
	Bill	Due	Bill	Due	Bill	Due
	Date	Date	Date	Date	Date	Date
	1st	25th	1st	25th	1st	25th
	0	25	30	55	60	85
FDS						
Bucket	Bucket 1		Bucket 2		Bucket 3	
	0 ~ 30		31 ~ 60		61 ~ 90	
	-----0 ~ 90 days: Bucket 1, 2, & 3-----					
FDS	-					

FDS
To Service (“Early Age Collections”)

¹ Any advancement in age occurs when a required payment is not posted to the account record prior to the next month’s billing.

SCHEDULE 4.6(b)

Risk Management Policies

I. General Strategy

Risk Management manages both the proprietary portfolios and bankcard portfolios for FDS Bank and GECCCC owned accounts. Though each is managed separately, some specific customer derogatory data and customer profile data from co-branded accounts are utilized and visible between portfolios to hedge risk and improve overall portfolio management.

Account Management/Authorizations

Proprietary Algorithm (transaction decision tree)

[redacted]

Bankcard Algorithm (Visa co-brand)

[redacted]

Account Management/Line Management

Proprietary Guideline Management

[redacted]

Bankcard Line Management

[redacted]

Exception Policies

Employee Accounts

[redacted]

VIPs

[redacted]

Score Card Usage

Listed below are general overviews of models currently in use for the Proprietary and Visa portfolio. Each portfolio is managed separately from one another with [redacted]. Empirically derived scorecards are used throughout the life cycle of both portfolios. These scorecards are updated on a scheduled basis to ensure the most current score is used to decision the account.

Proprietary

[redacted]

Bankcard (Visa)

[redacted]

II. New Account / Acquisition Policy Overview

Applications submitted by FDS retail division, in the normal course of business, adhere to the following process:

[redacted]

The bureau data returned also is classified into the following bureau sizes:

[redacted]

III. FDS Bank – Proprietary Authorization Process Policy Overview

Transactions submitted by FDS retail division in the normal course of business, adhere to the following process:

[redacted]

BASE Algorithm

[redacted]

502 Delinquent / Over-Guideline Table

[redacted]

Current Accounts (Days Delinquent value is less than 7):

[redacted]

Past-Due Accounts (Days Delinquent value is greater than 6):

[redacted]

FDS Bank – Visa Authorization Process Policy Overview

BASE Algorithm

[redacted]

Over- Limit Table

[redacted]

Current Accounts (Days Delinquent value is less than 7):

[redacted]

Past-Due Accounts (Days Delinquent value is greater than 6):

[redacted]

Cash Advance / Quasi Cash Rules

[redacted]

IV. FDS Bank Card Reissue Criteria

[redacted]

Card Level/Product type specific reissue criteria:

The additional criteria are exclusive to the product type and listed below. [redacted]

Gold, Platinum and Elite Visa

[redacted]

Gold, Platinum or Elite Visa
FICO score cut at reissue

Bloomingdales
Macy’s

Score cut
[redacted]
[redacted]

Red Visa

There is no minimum spending on the proprietary required for the Red level Visa.

Red Visa
FICO score cut at reissue

Bloomingdales
Macy’s

Score cut
[redacted]
[redacted]

Stand Alone Visa (SAV)

SAV is a replacement card for inactive proprietary customers with a single Visa credit line. An expiration period of 2 years is assigned on all reissued cards. All SAV accounts must meet score criteria and have had at least \$1.00 spending during those 2 years to be reissued.

SAV Visa
FICO score cut at reissue

Bloomingdales
Macy’s

Score-cut
[redacted]
[redacted]

SCHEDULE 4.6(c)(i)

Risk Management Targets

Private Label - New Account Acquisition

1. New Accounts – Score cut/Pass Rate (excluding Internet Applications)

Current score and guideline ranges: [redacted]

2. New Account Guideline Ranges (Systemically set):

Current score and guideline ranges: [redacted]

- Guideline ranges are noted. [redacted]
- **Exceptions include:** [redacted]

3. Internet – New Account Guideline Assignment Target

- Guideline ranges from [redacted]

<u>NA Score</u>	<u>Target Macy's Guideline</u>	<u>Target Bloomingdale's Guideline</u>
[redacted]	[redacted]	[redacted]
[redacted]		

4. Pre-screened Applications-Exception

[redacted]

Private Label – Systemic and Manual Credit Transaction Authorizations

1. Private Label- Credit Authorizations

- Authorizations overall auto-approval rate:

Target: [redacted]

- Authorizations referral rate:

Target: [redacted]

2. Private Label- Guideline Distribution

[redacted]

- Composition of Accounts by Credit Guideline (All account types):

TOTAL PRIVATE LABEL - REVOLVING

Guideline Range
[redacted]

% of Accounts
[redacted]

Target Avg Guideline
[redacted]

[redacted]

Visa/Cobrand – New Account Acquisition

1. New Account Pass Rate Targets

[redacted]

2. Visa New Account Acquisition

- Limit Assignment Distribution for POS opened Visa:

NA Score
[redacted]

Limit Range
[redacted]

Avg Limit Target
[redacted]

3. Visa Account Limit Distribution Targets

VISA (Excl. SAV)

Limit Range
[redacted]

% of Accounts
[redacted]

Target Avg Limit
[redacted]

[redacted]

4. Visa - Credit Authorizations

- Authorizations overall approval rate:

Target

[redacted]

5. Visa – Cash Authorizations

- Cash approval rate:

Current

[redacted]

Targets

[redacted]

[redacted]

[redacted]

- [redacted].

Fraud Prevention-Visa

Visa False/Positive Ratios:

False/positive ratios prior to blocking account

False/positive ratios prior to blocking a transaction

Target

[redacted]

[redacted]

Attachments

The following current decision matrices are in place: [redacted]

May Accounts. [redacted]

Application of Schedule 4.6(c)(ii). In the event of conflict between this Schedule 4.6(c)(i) and Schedule 4.6(c)(ii), Schedule 4.6(c)(ii) shall control.

PROPRIETARY ACCOUNTS - Exceptions

New Accounts - Credit Line Assignment & Cutoff Strategy

<u>Canadian Addresses</u>	<u>ALL DIVISIONS</u>	<u>Puerto Rico Store</u>	
<u>FICO Score</u> [redacted]	<u>[redacted]</u>	<u>FICO Score</u> [redacted]	[redacted]

No Hit/Thin File Line Assignment - Market Max

<u>NO HIT Market Max SCORE</u>	<u>ALL Divs (Excl MCF)</u>	<u>MCF (Burdines)</u>	<u>NO HIT Market Max SCORE</u>	<u>BLOOMIES 9/04 Forward</u>
<u>[redacted]</u>	<u>[redacted]</u>	<u>[redacted]</u>	<u>[redacted]</u>	<u>[redacted]</u>

Internet Line Assignment - New Bureau Score

<u>BUREAU SCORE</u>	<u>Macy's</u>	<u>Bloomingdale's</u>
<u>[redacted]</u>	<u>[redacted]</u>	<u>[redacted]</u>

Macy's Acquisition Score (Bureau Score) Cutoff and Line Distribution

[redacted]

Bloomington's Acquisition Score (Bureau Score) Cutoff and Line Distribution

[redacted]

Proprietary POS INCREASE Logic

[redacted]

POS VISA CUTOFF and LINE ASSIGNMENT TABLE (Applicants 18-20 years of Age)

[redacted]

POS VISA CUTOFF and LINE ASSIGNMENT TABLE (Applicants over 20 years of Age)

[redacted]

PROPRIETARY ACCOUNTS (FDS AND GECC)

Increase/Decrease Logic at Billing

PART 1 - Increase Logic at Billing:

<u>Current GL</u>	<u>Behav. Score</u>	<u>Risk Score</u>	<u>All other Divs New GL</u>	<u>MCF (Burdines) New GL</u>
[redacted]				

PART 2 - Decrease Logic at Billing (changes specific to MCF (Burdines) in ***Bold*** and ***Italics***).

Time on Books 0-12					
<u>Comp</u>	<u>Age 0</u>	<u>Age 1</u>	<u>Age 2</u>	<u>Age 3</u>	<u>Age 4+</u>
[redacted]					

Time on Books 13+					
<u>Comp</u>	<u>Age 0</u>	<u>Age 1</u>	<u>Age 2</u>	<u>Age 3</u>	<u>Age 4+</u>
[redacted]					

General Exclusions from Both Increases and Decreases

[redacted]

Exclusions from Increases Only

[redacted]

Exclusions from Decreases Only

[redacted]

SCHEDULE 4.6(c)(ii)

Risk Management Penalties

(a) Penalties associated with the failure to achieve the targets set forth in this Schedule shall be determined on the basis of the measurement period specified with respect to each target (with respect to each target, the “Measurement Period”) beginning with the first Fiscal Month or Fiscal Quarter, applicable, following the Effective Date. The Fiscal-Monthly report delivered pursuant to Section 4.6(c) (the “Risk Management Report”) shall set forth the applicable metrics with respect to each target for the applicable Fiscal Month and the full Measurement Period.

(b) If a target specified below is not achieved in any Measurement Period (measured as of the end of the applicable Measurement Period) (with respect to each target, a “First Failure”), Bank shall report within five (5) Business Days of receipt of the Risk Management Report to the FDS Companies the reasons for such failure and as soon as practicable thereafter (and in no event later than the thirtieth (30th) day following delivery of the Risk Management Report) implement a remediation plan designed to correct and prevent recurrence of such failure(s). [redacted]

(c) The parties agree to meet and discuss potential adjustments to the targets specified in this Schedule one year after the Effective Date or earlier, if mutually agreed upon. Any adjustments to the specified targets will only be made with the mutual agreement of the parties.

(d) [redacted]

(e) [redacted]

(f) [redacted]

1. New Account Approval Rate Target: [redacted]

- **Measurement Period:** Rolling Fiscal Quarter measured against Target
- **Penalty:** [redacted]

2. New Account Guideline Distribution Targets: See Chart Below

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

NA Score	Guideline Range	Actual Avg Guideline Target
[redacted]	[redacted]	[redacted]

[redacted]

3. **Private Label Authorizations Auto Approval Rate Target:** [redacted]

- **Measurement Period:** Fiscal Month
- **Penalty:** [redacted]

4. **Private Label Authorizations Referral Rate Target:** [redacted]

- **Measurement Period:** Fiscal Month
- **Penalty:** [redacted]

5. **Existing Private Label Account Guideline Distribution Targets:** See Chart Below

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

TOTAL PRIVATE LABEL - REVOLVING

Guideline Range	% of Accounts	Target Avg Guideline
[redacted]	[redacted]	[redacted]

[redacted]

6. **Existing Private Label Account Guideline Distribution Targets**

- **Target of** [redacted]
- **Target of** [redacted]
- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

7. **Visa Pass Rate Targets:** [redacted]

- **Measurement Period:** Fiscal Quarter or by Program (Prescreen, Upgrades, Reissues). To begin after the Targets have been established.
- **Penalty:** [redacted]

8. **Monthly Visa New Account Guideline Distribution Targets:** See Chart Below

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

NA Score	Limit Range	Avg Limit Target
[redacted]	[redacted]	[redacted]

[redacted]

9. **Quarterly Existing Visa Account Limit Distribution Targets:** See chart below.

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

VISA (Excl. SAV)

Limit Range	% of Accounts	Target Avg Limit
[redacted]	[redacted]	[redacted]

[redacted]

10. Quarterly Existing Visa Account Limit Distribution Targets:

- **Target of** [redacted]
- **Target of** [redacted]
- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

11. Visa Authorizations Approval Rate Target: [redacted]

- **Measurement Period:** Fiscal Month
- **Penalty:** [redacted]

12. Internet - New Account Guideline Assignments / Private Label Target: See Chart Below

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

NA Score	Target Macy's Guideline	Target Bloomingdale's Guideline	Overall Target
[redacted]	[redacted]	[redacted]	

[redacted]

13. Visa CASH Authorizations Approval Rate Target: [redacted]

- **Measurement Period:** Fiscal Quarter
- **Penalty:** [redacted]

14. Monthly Visa Fraud Prevention-False/Positive Ratio Targets: See Chart Below

- **Measurement Period:** Fiscal Quarter
- **Targets will be measured against actual Quarter performance, of which reporting will be lagged between 30 and 60 days.**
- **Penalty:** [redacted]

	Target	Penalty if over
Target false/positive ratios prior to blocking account	[redacted]	[redacted]
Target false/positive ratios prior to blocking a trans	[redacted]	[redacted]

[redacted]

15. May Accounts

[redacted]

SCHEDULE 4.6(c)(iii)

Underwriting and Risk Management

If the targets set forth in Schedule 4.6(c)(ii) are not achieved with respect to any measurement period set forth on Schedule 4.6(c)(ii) with respect to the applicable target, [redacted]. The Parties agree that the basis for each of the target measurements will be calculated using the same parameters as was used to determine the targets. The targets in Schedule 4.6(c)(ii) were calculated using first Fiscal Quarter 2005 actual data, unless otherwise noted under the specific target. If Bank does not make any such adjustments (except as otherwise provided in Schedule 4.6(c)(ii)), or if such adjustments fail to result in such targets being achieved in the first measurement period following such cure period, [redacted].

SCHEDULE 4.7

Cardholder Terms

- See attached Cardholder Terms
- Grandfathered terms: Purchase trigger requirement for Macy's proprietary customers for new terms in IA, ME, NC, WI, MT and MN

SCHEDULE 4.8(a)

Loyalty Programs

- I. Federated supports 2 Loyalty Programs which are tied to Credit Card usage for its brands – Macy’s Star Rewards and the Bloomingdale’s Insider Program

Macy’s Star Rewards (with 4 levels – Red, Gold, Platinum and Elite), was launched in March 2005, All cards that have an incremental level of benefits (Gold on up) carry an annual expiration date.² Red VISA cards have expiration dates dating from approximately 2 years from date of issuance Red proprietary cards do not carry an expiration date. Benefits by level are illustrated in the chart below.

	<u>Macy’s</u>	<u>Macy’s/ VISA</u>	<u>Macy’s</u>	<u>Macy’s/ VISA</u>	<u>Macy’s</u>	<u>Macy’s/ VISA</u>	<u>Macy’s</u>	<u>Macy’s/ VISA</u>
	<u>RED - \$0-499</u>		<u>GOLD - \$500-\$999</u>		<u>PLATINUM - \$1,000-\$2,499</u>		<u>ELITE \$2,500 +</u>	
Cardholder only savings event	*	*	*	*	*	*	*	*
Advance notice of sales	*	*	*	*	*	*	*	*
Merchandise Star Rewards – Buy 6 get 1 free (bra, panty, hosiery)	*	*	*	*	*	*	*	*
Flexible payment plans*	*	*	*	*	*	*	*	*
Priority 800# customer service			*	*	*	*	*	*
Exclusive offers by mail			4 per year	4 per year	8 per year	8 per year	12 per year	12 per year

- ² Gold, Platinum and Elite cards issued during the year have an expiration date that could, based on month of issuance, carry an expiration date of March in the first full year subsequent to date of issuance.

	Macy's/ Macy's VISA		Macy's/ Macy's VISA		Macy's/ Macy's VISA		Macy's/ Macy's VISA	
	RED - \$0-499		GOLD - \$500-\$999		PLATINUM - \$1,000-\$2,499		ELITE \$2,500 +	
Earn Reward Certificates when you shop at Macy's			1.5% on purchases (with qtrly. double reward opportunities)			3% on purchases (with qtrly. double reward opportunities)	2% on purchases (with qtrly. double reward opportunities) (customer call to activate)	3% on purchases (with qtrly. double reward opportunities)
Earn Reward Certificates when you shop outside Macy's			1% on purchases			1% on purchases		1% on purchases
Complimentary services (gift wrap, basic alterations, local delivery)					12 per year	12 per year	18 per year	18 per year
Accepted wherever VISA credit cards are accepted	*	*	*	*	*	*	*	*
No annual Fee	*	*	*	*	*	*	*	*
			Rewards Plus opportunities for out of store shopping			Rewards Plus opportunities for out of store shopping		Rewards Plus opportunities for out of store shopping

Bloomingdale's Insider Program

Bloomingdale's Insider Program was launched in 1999, and provides increasing benefits and access to store service the more a customer spends.

Premier \$0 - \$999	Premier Visa \$0 - \$999	Premier Plus Visa \$1,000 - \$2,499	Ultimate Premier \$2,500 +	Ultimate Premier Visa \$2,500 +
Exclusive travel and entertainment offers	Exclusive travel and entertainment offers	Premier Benefits + Reward Certificates to use like cash toward Bloomingdale's purchases – 3% on in store purchases and 1% on Visa purchases outside the store Ultimate access to events and offers created just to Ultimate Premier Insiders	Premier Benefits + Reward Certificates to use like cash toward Bloomingdale's purchases – 3% on in store purchases – customers call to activate Ultimate access to events and offers created just to Ultimate Premier Insiders	Premier Plus Visa Benefits + Reward Certificates to use like cash toward Bloomingdale's purchases – 3% on in store purchases and 1% on Visa purchases outside the store Ultimate access to events and offers created just for Ultimate Premier Insiders
Insider Preview Days with extra savings just for card users	Insider Preview Days with extra savings just for card users	Insider Preview Days with extra savings just for card users Double and Triple Rewards events which allow you to earn 6% and 9% of Bloomingdale's purchases Ultimate Insider Hotline, an exclusive toll-free customer service line Unlimited free deluxe gift wrap on Bloomingdale's purchases Online access to additional offers for Visa cardholders 12 Free Gift Wraps per year on Bloomingdale's purchases Free Local Delivery, excluding furniture, rugs and mattresses	Insider Preview Days with extra savings just for card users Double and Triple Rewards events which allow you to earn 6% and 9% of Bloomingdale's purchases Ultimate Insider Hotline, an exclusive toll-free customer service line Unlimited free deluxe gift wrap on Bloomingdale's purchases	Insider Preview Days with extra savings just for card users Double and Triple Rewards events which allow you to earn 6% and 9% of Bloomingdale's purchases Ultimate Insider Hotline, an exclusive toll-free customer service line Unlimited free deluxe gift wrap on Bloomingdale's purchases Online access to additional offers for Visa cardholders 12 Free Gift Wraps per year on Bloomingdale's purchases Free Local Delivery, excluding furniture, rugs and mattresses
Insider Shoe Club	Insider Shoe Club	Insider Shoe Club	Insider Shoe Club	Insider Shoe Club
Insider Dining Club	Insider Dining Club	Insider Dining Club	Insider Dining Club	Insider Dining Club
Free catalogs and newsletters	Free catalogs and newsletters	Free catalogs and newsletters	Free catalogs and newsletters	Free catalogs and newsletters
No Annual Fee	No Annual Fee	No Annual Fee	No Annual Fee	No Annual Fee
	Visa Line of Credit	Visa Line of Credit		Visa Line of Credit

II. In addition to the benefits of Macy's Star Rewards and Bloomingdale's Insider Program, multiple other tests are in market or in development for test or rollout in 2005 as follows:

- [redacted]

III. Macy's also has a Bridal Loyalty Program, tied to card usage/enrollment – Macy's Registry Star Rewards. This program is targeted both at the bridal couple and the guests.

Benefits are as follows

- 10% on pre-occasion spending at Macy's with a Macy's card
- 5% on what the guests buy the couple from the Macy's registry
- 10% completion discount on registry purchases

After the wedding, the couple receives an electronic gift card with the value of 10% on pre-occasion spending with the Macy's card, plus 5% of what their guests purchased at Macy's from the couple's registry.

IV. Funding for Loyalty Programs

(a) There shall be included on each Monthly Settlement Sheet, and Bank shall pay to the FDS Companies pursuant thereto, [redacted].

(b) "Earned Amounts" means [redacted]

(c) "Assumed Redemption Percentage" means (i) until January 28, 2006, the percentage set forth for each Cardholder Level listed below, and (ii) thereafter shall be the actual redemption percentage for the previous Fiscal Year.

<u>%</u>	<u>Cardholder Level</u>	<u>%</u>	<u>Cardholder Level</u>
[redacted]	Macy's Elite Visa	[redacted]	Bloomingdale's Ultimate Premier Visa
[redacted]	Macy's Platinum Visa	[redacted]	Bloomingdale's Premier Visa
[redacted]	Macy's Gold Visa		

(d) [redacted]

(e) [redacted]

SCHEDULE 4.8(b)(i)

Payment Plans

1. Revolving Credit. No interest if customers pay in full within 25 days. If full payment not received, interest assessed on balance. Minimum payment of \$5.00 or 2.5%, whichever is greater.
2. Regular. Same as Revolving Credit, except the Systems and the Billing Statement always show the minimum due to be the balance; no finance charge or late fees are ever assessed regardless of the delinquency status.
3. Deferred Credit Payment Plans.

Deferred Credit Payment Plans	Departments Eligible for Use	Deferral Period	Minimum Purchase Required*	Down Payment Required	Minimum Payment Required	Interest Penalty If Not Paid In Full Prior to End of Deferral
3 Month DPI ¹	Bedding Dept. (# 671)	90 Days from purchase date ³	\$300	None	None	None
3 Month DPI ¹	Furn./Flr. Cov. Licensed Depts. ²	90 Days from purchase date	\$500 ⁵	None	None	None
6 Month DPI	Bedding Dept. (# 671)	180 Days from purchase date ³	\$500	None	None	None
6 Month DPI	Furn./Flr. Cov. Licensed Depts. ²	180 Days from purchase date	\$750 ⁵	None	None	None
SEAT (12 mo.)	Home Depts. Licensed Depts.	12 Months from purchase date	\$1000	25% of Purchase Price	Standard 2.5% of Avg. Daily Balance	Accrued interest will be charged on unpaid balance from date of purchase
12 Pay ⁴	Decorative Table Top Depts.	12 Months from purchase date	\$200	None	12 Equal Payments (Price / 12)	None

* Minimum purchase requirements for 3/6 month DPI and SEAT account types are set at \$499 (\$299 bedding), \$749 (\$499 bedding) and SEAT \$999 on the FACS' system tables to accommodate merchandise marketed \$1 below stated minimum. Sales tax and delivery fees and warranties are not included when qualifying a customer to meet the stated minimums.

¹ DPI is deferred payment and interest.

² Licensed departments that use free credit offers will be charged the appropriate cost rate to sales.

³ Assumes customer bills on the same day the deferral period has ended. (If the customer's next billing cycle closes after the deferral period has ended, the customer may benefit from additional deferred days until the billing occurs.)

⁴ 12 Pay account type does not require a systemic table update, therefore, no communication to FACS is necessary when account is used for decorative tabletop departments. Minimum purchase may vary per division (i.e. Macy's West uses \$300). Jewelry minimum purchase for Macy's East is \$500 (effective Aug. 2002). Jewelry minimum purchase for Macy's West is \$750 (effective Oct. 2003)

⁵ Increased minimum purchase requirements implemented August 2001 home sale (effective July for Bloomingdale's).

SCHEDULE 4.8(b)(ii)

If percentage of Average Private Label Interest Free Receivables to Average Private Label Receivables:

[redacted]

The Parties agree that the thresholds set forth in this Schedule with respect to the May Accounts (as defined in the Purchase Agreement) shall be based on the same range as the thresholds set forth in this Schedule [redacted]. After such time as the May Accounts have been fully transitioned to the Federated brands and strategies, as applicable, and operated on terms consistent with the Federated policies and procedures, the transitional thresholds set forth in the previous sentence shall no longer be applicable and the thresholds set forth in this Schedule shall apply to all Accounts; provided that [redacted].

SCHEDULE 5.4(a)

Additional Marketing Support

- (i) [redacted]
- (ii) [redacted]
- (iii) provide such reasonable assistance to FDS and its Affiliates as FDS may request in connection with the training of personnel of FDS and its Affiliates regarding the Program, including providing training materials;
- (iv) collaborate with the FDS Companies to identify and test marketing initiatives (using Bank's resources);
- (v) [redacted]
- (vi) [redacted]
- (vii) facilitate marketing opportunities for FDS and its Affiliates with Bank's other partners and clients on mutually agreeable terms;
- (viii) [redacted]
- (ix) [redacted]
- (x) [redacted]

SCHEDULE 5.6

FACS Marketing Plan – 2005

Primary objective - drive Federated retail sales through credit and loyalty tactics

Specific 2005 Goals:

- Active Customer Management – [redacted]
- Customer Acquisition – [redacted]
- Star Rewards Loyalty Launch (including 4/8/12 loyalty mailings, online interface)
- Statement redesign implementation
- Groundwork for Bloomingdale's Loyalty Relaunch in Spring 2006
- [redacted]*

Budget - Fall 2005 – [redacted]

\$M

[redacted]

[redacted]

Budget - Fall 2005 – [redacted]*

\$M

[redacted]

[redacted]

* [redacted]

SCHEDULE 6.2(b)

Program Privacy Policy

See attached Program Privacy Policy.

SCHEDULE 7.3

Services and Service Level Standards

Definitions

The following terms shall have the following meanings when used in this Schedule 7.3:

[redacted]

“Abandon Rate” means the rate to “offered” calls where a customer hangs up after the call has been queued to an agent.

“ASA” means the average speed to answer a call queued to an agent either directly or after the customer has used the automated voice response application.

“Call Blockage” means calls which are denied access to the switch due to inbound trunk capacity exceeding maximum level.

“Conforming Payments” means Payments received in a single envelope, with a single billhead and a single check (no staples/no tape).

[redacted]

[redacted]

“Non-Conforming Payments” means any payments which are not Conforming Payments.

[redacted]

“Presidential Disputes” means written inquiries addressed to a retail division principal or inquiries from the OTS, FTC, Attorney Generals, or Better Business Bureau.

[redacted]

“Reg Z Correspondence” means inquires directed to the referenced Reg Z PO Box on the back of the customer’s billing statement. Currently, PO Box 8066 (Prop) and PO Box 8108 (VISA).

“Telephone ASA (Cardholder)” means calls initiated by a Cardholder, including calls initiated by a Cardholder either directly via DID or alternatively via 1-800 number access.

“Telephone ASA (Stores)” means calls initiated by a Cardholder from a store courtesy phone or a call placed by a store associate from the selling floor.

“Written Correspondence” means inquiries directed to the General Correspondence PO Box or those pieces received from the payment center.

SLAs

<u>Category I Standards</u> [redacted]	<u>Target</u> [redacted]
<u>Category II Standards</u> [redacted]	<u>Target</u> [redacted]
<u>Category III Standards</u> [redacted]	<u>Target</u> [redacted]

SLA Compliance Measurement and Penalties

(a) General. Compliance with SLAs shall be determined on a quarterly basis (the “Measurement Period”) beginning with the first full three Fiscal-Month period following the Effective Date. The Fiscal-Monthly report delivered pursuant to Section 7.3(a) following the end of a Measurement Period shall set forth information for the SLA performance information for the applicable Fiscal Month and the full Measurement Period. Each SLA is measured on an average basis over the Measurement Period.

(b) Category III SLAs.

- (i) If the FDS Companies [redacted]
- (ii) If the FDS Companies [redacted]
- (iii) If the FDS Companies [redacted]
- (iv) [redacted]

(c) Category II SLAs.

-
- (i) If the FDS Companies [redacted]
 - (ii) If the FDS Companies [redacted]
 - (iii) If the FDS Companies [redacted]
 - (iv) [redacted]

(d) Category I SLAs.

- (i) If the FDS Companies [redacted]
- (ii) If the FDS Companies [redacted]
- (iii) If the FDS Companies [redacted]
- (iv) [redacted]

(e) Collections. The Collections related service levels defined in Schedule 7.3 will be in effect as of the Effective Date. The metrics will be reviewed by the parties between now and the Effective Date [redacted]

SCHEDULE 7.4(b)

Internet Services

Bank shall provide secure data feeds into FDS Systems designated by FDS from time to time, in formats agreed to by the Parties in advance from time to time, and shall provide the necessary data feeds and website content, to enable the websites branded with the FDS Licensed Marks and maintained by or on behalf of FDS or any of its Affiliates to display the following information and offer the following functions and features to be performed on-line through such websites:

- (a) on-line access to Credit Card Applications for the FDS Credit Cards branded with the applicable FDS Licensed Marks and the capabilities to permit persons to complete and submit such Credit Card Applications and receive authorizations in real-time on-line;
- (b) [redacted]
- (c) access to Cardholder Account information, Billing Statements and unbilled Account activity;
- (d) [redacted]
- (e) email response to inquiries submitted via email to a designated website email address(es);
- (f) VIP recognition of on-line users;
- (g) Loyalty Programs rewards status;
- (h) status messaging; and
- (i) all other features and functionality available on websites branded with the FDS Licensed Marks and maintained by or on behalf of FDS or any of its Affiliates with respect to the Business prior to the Systems Transition Date.

SCHEDULE 9.2(a)

Monthly Settlement Sheet

The following items will be included in the Monthly Settlement Sheet (in a form agreed upon by the Parties from time to time):

- the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period;
- [redacted]
- [redacted]
- [redacted]; and
- all other information required to determine the payments to be made by the Parties pursuant to this Agreement in respect of such Fiscal Month.

SCHEDULE 9.2(b)

Quarterly Settlement Sheet

The following item will be included in the Quarterly Settlement Sheet (in a form agreed upon by the Parties from time to time):

- [redacted]
- [redacted]; and
- all other information required to determine the payments to be made by the Parties pursuant to this Agreement in respect of such Fiscal Quarter or the last Fiscal Month of such Fiscal Quarter, as the case may be.

SCHEDULE 9.2(c)

Year-End Settlement Sheet

The following items will be included in the Year-End Settlement Sheet (in a form agreed upon by the Parties from time to time):

- the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period;
- all amounts payable pursuant to Section 9.4(c);
- [redacted]; and
- all other information required to determine the payments to be made by the Parties pursuant to this Agreement in respect of the last Fiscal Month or the last Fiscal Quarter, as the case may be, of such Fiscal Year and any annual payments to be made in respect of such Fiscal Year.

SCHEDULE 9.3(a)

**FDS Compensation
(for each Fiscal Month)**

(a) Net Credit Sale Share. The sum of:

- (i) with respect to the prior Fiscal Month, an amount equal to [redacted]; and
- (ii) with respect to the prior Fiscal Month, an additional amount equal to [redacted]

(b) New Account Payments. The sum of:

- (i) an amount equal to [redacted];
- (ii) an amount equal to [redacted];
- (iii) an amount equal to [redacted]; and
- (iv) an amount equal to [redacted].

(c) FDS Profit Share. An amount equal to (i) the FDS Profit Share in respect of the period from the beginning of the then-current Fiscal Year through the end of the preceding Fiscal [redacted].

(d) Marketing Reimbursement. [redacted]

(e) In-Store Payment Reimbursement. An amount equal to [redacted]

(f) Account Application SPIF Reimbursement. With respect to the prior Fiscal Month, an amount equal [redacted]

(g) FDS Services. [redacted]

(h) Value Proposition Payments. [redacted]

(i) Card Association Payments. [redacted]

SCHEDULE 9.4(a)

Budget

In M's

[redacted]

Notes:

[redacted]

SCHEDULE 9.4(c)**Expense Categories**

<u>Expense Category</u>	<u>Responsibility</u>
Bank's servicing expenses (in accordance with Schedule 1.1(g))	[redacted]
FDS Companies' servicing expenses (in accordance with Schedule 1.1(g))	[redacted]
Bad debt expenses	[redacted]
Bad Debt Reserve Note: [redacted]	[redacted]
Funding Costs	[redacted]
VISA Reward Expenses	[redacted]

SCHEDULE 11.1(c)

Conflicts; Defaults; Etc.

Requisite Regulatory Approvals

- HSR, if applicable.
- Bank Merger Act with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.
- OTS approval with respect to each of the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption.
- OCC approval and OTS approval with respect to the purchase of the CEBA Equity Interests.

Third Party Consents

- Software License Agreement between Pitney Bowes docSense, Inc. as licensor, and FACS and Federated Systems Group, Inc. (“FSG”) as licensee, dated as of March 18, 2003. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- Master Software Agreement between Exstream Software, Inc. as licensor, and FACS and FSG as licensee, dated January 1, 2003. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- Professional Services Agreement between Prinova Technologies, Inc. and FACS, dated August 4, 2004, and related Statements of Work and Support Services Agreement. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- IT Services Agreement between Xerox Global Services, Inc. and its parent company Xerox Corporation (jointly, “XGS”) and FACS, dated as of November 24, 2004, and related Statement of Work and EOMS Software Ver 8.0 Master License and Support Agreement. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- Services Agreement for Custom Scoring Models between Experian Information Solutions, Inc. and FACS dated June 7, 2004, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
- FACS GROUP, INC. AGREEMENT between FACS and Fair, Isaac and Company, Incorporated (“FICO”) signed June 26 and June 30, 1998 (prop behavior scorecard). [Contract to be amended to permit the activities contemplated by the Program Agreement.]

-
- FINGERHUT CORPORATION TRIAD SOFTWARE SYSTEM LICENSE AGREEMENT between Fingerhut Corporation (“Fingerhut”) and FICO signed August 7 and 13, 1997, as assigned by Fingerhut to FACS in Assignment and Assumption Agreement between Fingerhut, FACS, and FICO dated May 24, 2000, as amended. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
 - Master Customer Agreement between HNC Software, Inc. and FSG dated as of March 29, 2001. [Contract to be amended to permit the activities contemplated by the Program Agreement.]
 - Assurant contracts:
 - FACS Program Agreement effective March 1, 1977 between FACS and American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida, and Bankers American Life Assurance Company (collectively, “ABIG”), as amended. [run off]
 - FACS and ABI Alliance Agreement effective February 1, 1998 between FACS and ABIG
 - FACS and ABI Accidental Death Program Agreement effective March 1, 1998 between FACS and ABIG. [run off]
 - Insurance Service Agreement effective July 1, 2002 among Fortis Benefits Insurance, FACS, iTrust Insurance Agency, Inc. (“iTrust”), and FACS Insurance Agency, Inc. (“FACS Insurance Agency”).
 - FACS and RMI Membership Program Agreement, effective May 1, 1998 between Roadgard Motor Club, Inc. and FACS. [run off]
 - FACS and Womensense Service Expense Reimbursement Agreement, effective September 1, 1998, between Consumer Assist Network Association, Inc., d/b/a/ WomenSense and FACS. [run off]
 - Marketing Agreement dated as of February _____, 2002 between FACS and FDSB and Trilegiant Corporation, as amended.
 - Revenue Enhancements Products Agreement between FACS, iTrust, and National Union Fire Insurance Company of Pittsburgh, PA dated as of October 1, 2002.
 - Joint Marketing Agreement dated June __, 2001 between FACS and FDSB and Progeny Marketing Innovations LLC (f/k/a FISI*Madison L.L.C.), as amended
 - Consumer Credit Information and Credit Card Fraud Alert Registry Service Agreement between CreditComm Service LLC and FACS dated April 5, 1999. [run off]

-
- Perpetual License Agreement, by and between Group 1 Software, Inc. and Federated Systems Group, Inc. dated March 30, 1990 and Addenda #2-11
 - Software License Agreement by and between Vanguard Integrity Professionals and Federated Systems Group, Inc. dated September 29, 1997
 - License Agreement, by and between The Systems Center, Inc. and The Sabre Group, dated June 28, 1988
 - Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated October 15, 1987
 - Software Program Product License Agreement, by and between Software Engineering of America and The Sabre Group, dated August 28, 1989
 - Proprietary Software License Agreement, by and between Advanced Software Technologies Company, Ltd. and The Sabre Group dated January 28, 1988
 - CPU License Agreement, by and between Levi, Ray & Shoup, Inc. and Federated Systems Group, Inc. dated March 11, 1998
 - Software License and Services Agreement, by and between LBSS, Inc. and Federated Systems Group, Inc. dated November 3, 2000
 - Permanent License Agreement for Proprietary Software Products and Maintenance, by and between Compuware Corporation and The Sabre Group, dated March 28, 1986
 - Enterprise Addendum, by and between Compuware Corporation and Federated Systems Group, Inc., dated August 31, 2001 and Enterprise Schedule No. 1

SCHEDULE 11.1(d)**Litigation**

Date Served	Case Name	
	John W. Morrow vs. The Bon Marche and FACS Group, Inc.	[redacted]
2/4/2004	Barbara Kelly v. Bloomingdale's, Inc.	[redacted]
6/16/2003	Carlos M. Benitez, Jr. vs. Experian Corp. y/o Experian Inc, Equifax Corp y/o Equifax Inc, Trans Union Corp y/o Trans Union Inc, Macys de Puerto Rico, et al	[redacted]
7/27/2004	Elizabeth A. Olson v. The Bon, Inc. and FACS Group	[redacted]
1/10/2005	Huguette A. Flambert Riboul v. Macy's	[redacted]
7/31/2002	Emily J. Moskowitz vs. Bloomingdale's, Inc	[redacted]
3/1/2005	Felix R. Gonzalez v. Experian Information Solutions, Inc., FDS National Bank, et. al.	[redacted]
12/3/2004	Kenneth J. Warren vs. FACS Group, Inc.	[redacted]
3/9/2005	Benjamin Chiang vs. Rich's Department Stores, Inc. d/b/a/ Rich's-Macy's	[redacted]
3/9/2005	Ava Lee vs. Rich's Department Stores, Inc. d/b/a/ Rich's-Macy's	[redacted]
1/11/2005	Laura Morales v. Burdines, Inc. and Premier Recovery, Inc.	[redacted]
3/2/2005	Shaunda N. Williams v. Trans Union LLC, Belden Jewelers, a Division of Sterling Jewelers, Inc., W.S. Badcock Corporation, dba Badcock Home Furnishing Centers, Burdines, A Division of Federated Systems Group, Inc.	[redacted]

Feb. 2005 Ignacio Agustin Gomez v. Macy's Department Stores, Inc., et al [redacted]

5/2/2005 William C. Roberts v. FDS Bank, Federated Dept. Stores, [redacted]
Macy's East

SCHEDULE 11.1(g)

2005 YTD Portfolio and Operational Enhancements and Changes

- a. New loyalty program for Macy's ("STAR Rewards")
 - i. New card designs and overall card structure
 - ii. Statement re-design (including rewards certificate on statement)
 - iii. [redacted]
 - iv. On-line activation capability on macy's.com
 - v. "STAR Rewards" marketing collateral
- b. Change in hours of operation for Customer Service
 - i. Extended hours (nights and weekends) for home calls – July 2005
 - ii. New hours include all store hours availability for home calls
- c. [redacted]
 - i. [redacted]
- d. [redacted]
 - i. [redacted]
 - ii. [redacted]
- e. [redacted]
 - i. [redacted]
- f. Fraud prevention referrals for STAR Rewards launch
 - i. [redacted]
 - ii. [redacted]
 - iii. [redacted]
- g. International Service Fee Assessment planned for July 2005
- h. On-line EZ-Pay capabilities accessible on macy's.com
 - i. Effective in March, 2005
- i. Language of Preference capabilities
 - i. Ability for customer to request statements and credit correspondence to be delivered in Spanish
 - ii. Available during Spring season 2005
- j. [redacted]
 - i. [redacted]

SCHEDULE 16.2(d)(i)

Adjusted Fair Market Value

“Adjusted Fair Market Value” means [redacted]

SCHEDULE 16.2(d)(iv)

Penalty Amounts

[redacted]

SCHEDULE 16.2(e)

Fair Market Value

“Fair Market Value” means the value determined in accordance with the procedures specified in Schedule 16.2(e)(i) (including the use of the assumptions set forth in Schedule 16.2(e)(ii)); provided that [redacted]

SCHEDULE 16.2(e)(i)

Fair Market Value Procedures

In the event FDS or the Nominated Purchaser exercises the repurchase right, each of FDS and Bank shall promptly nominate an independent appraiser (each, an “Independent Appraiser”) and provide written notice of such nomination to the other within 30 days of delivery to Bank of the exercise notice from FDS. Within fifteen days of the receipt of such nomination by the other Party, each of FDS and Bank shall advise the other Party that they either accept or challenge the other Party’s selection of Independent Appraiser. In the event that either Party objects to the Independent Appraiser nominated by the other Party, the Parties will negotiate in good faith to resolve such difference and, in the event that no resolution is obtained within fifteen days after the date of notice of any objection to any nominated Independent Appraiser is given, such dispute shall be resolved pursuant to Section 12.3 of the Agreement. If both of the nominated Independent Appraisers are acceptable, each of FDS and Purchaser shall promptly retain their respective nominated Independent Appraisers and provide such information to both Independent Appraisers as is necessary to permit each of the Independent Appraisers to provide a determination of the fair market value of the Program Assets (the “Appraised Value”) as of a date selected by the Parties for such purpose (which date will be not later than 45 days after the date on which the Parties have agreed on the designation of the Independent Appraisers); provided, that the information provided to both Independent Appraisers shall be identical. Such appraisals shall be performed on the basis of the assumptions set forth in Schedule 16.2(e)(ii). [redacted].

SCHEDULE 16.2(e)(ii)

Certain Assumptions

1. Each Party shall cause its Independent Appraiser to appraise the value of the Program Assets in accordance with standard valuation methodology commonly used by purchasers of Credit Card portfolios and generally accepted in the marketplace for a purchase of a Credit Card portfolio of a size and type comparable to the Program.
2. The appraisal of the Program Assets shall also be conducted in accordance with the following assumptions and principals:
 - (i) [redacted]; and
 - (ii) [redacted].
3. [redacted]

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

FIRST AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT

This FIRST AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT, dated as of June 1, 2005, (this “Amendment”) is made and entered into as of October 24, 2005, by and among Federated Department Stores, Inc., a Delaware corporation, (“FDS”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), FACS Group, Inc., an Ohio corporation (“FACS”, and together with FDS and FDS Bank, the “FDS Companies”), Macy’s Department Stores, Inc., an Ohio corporation (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation (“Bloomingdale’s”), and Citibank, N.A., a national banking association (“Bank”).

WHEREAS, the FDS Companies and Bank parties hereto are parties to that certain Credit Card Program Agreement dated as of June 1, 2005 (the “Program Agreement”);

WHEREAS, the parties hereto have agreed that Macy’s and Bloomingdale’s shall be parties to the Program Agreement and to make certain other changes to the Program Agreement as set forth herein; and

WHEREAS, the parties hereto desire to amend the Program Agreement in accordance with Section 18.5 of the Program Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Amendment have the meanings assigned to them in the Program Agreement.

2. Amendment of Section 1.1.

(a) Clause (ii) of the definition of “Account” in Section 1.1 of the Program Agreement is hereby amended by adding “(subject to Schedule 2.1(b))” immediately before the words “the Employee Accounts”.

(b) The definition of “Business Plan” in Section 1.1 of the Program Agreement is hereby amended by replacing the words “on or prior to” with the words “within 120 days after”.

(c) The definition of “Cardholder Indebtedness” in Section 1.1 of the Program Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“Cardholder Indebtedness” means all amounts charged and owing to Bank or FDS Bank (subject to Schedule 2.1(b) with respect to the Employee Accounts) by Cardholders with respect to Accounts (including principal balances from outstanding charges, charges for Approved Ancillary Products, balance transfers, convenience checks, cash advances, finance charges, NSF fees, late charges, pay-by-phone fees and any other fees and charges), whether or not billed, less the amount of any credit balances owing by Bank and FDS Bank (subject to Schedule 2.1(b) with respect to the Employee Accounts) to Cardholders, including in respect of any payments and any credits associated with returns of goods and/or services and other credits and adjustments, whether or not billed.

(d) The definition of “Credit Card Agreement” in Section 1.1 of the Program Agreement is hereby amended by replacing such definition in its entirety with the following definition:

“Credit Card Agreement” means the Credit Card agreement between Bank (including as an assignee of FDS Bank, GE Bank or May Bank (as defined in the Purchase Agreement)) or FDS Bank (subject to Schedule 2.1(b) with respect to the Employee Accounts) on the one hand and a Cardholder on the other hand (and any replacement of such agreement), governing the use of an Account, together with any amendments, modifications or supplements that now or hereafter may be made to such Credit Card Agreement (and any replacement of such agreement).

(e) The following definition is hereby added to Section 1.1 of the Purchase Agreement immediately before the defined term “Parties”:

“Original Agreement” means this Agreement without giving effect to any modifications, alterations, supplements or amendments hereto.

(f) The definition of “Program Assets” in Section 1.1 of the Program Agreement is hereby amended by adding “, except to the extent owned by FDS Bank” immediately after the parenthetical clause and before the period.

(g) The definition of “Transition Plan” in Section 1.1 of the Program Agreement is hereby amended by replacing the words “on or before” with the words “within 120 days after”.

3. Amendment of Section 2.1. Section 2.1 of the Program Agreement is hereby amended by replacing such section in its entirety as follows:

Section 2.1 Credit Program.

(a) Beginning as of the Effective Date, Bank shall offer and issue the FDS Credit Cards (other than the Employee Accounts, which shall be offered and issued by FDS Bank and administered in accordance with this Agreement), and shall issue (or arrange to be issued by an Affiliate or another third party acceptable to FDS or currently offering such products on Bank's behalf) the Approved Ancillary Products. Bank shall promptly open a new Account and issue a new Private Label Credit Card or Co-Branded Credit Card with respect to each Credit Card Application approved in accordance with the Risk Management Policies.

(b) The credit program with respect to all Employee Accounts is set forth in Schedule 2.1(b).

(c) To the extent approved in accordance with the terms of this Agreement, in addition to the FDS Credit Cards and Approved Ancillary Products, the Program shall include such other Ancillary Products and other payment products as shall be incorporated in the Program in the future.

4. Amendment of Section 2.2(a). Section 2.2(a) of the Program Agreement is hereby amended by adding "Section 2.1(b), Schedule 2.1(b) and" immediately after "Except as otherwise provided in" and immediately before "this Section 2.2".

5. Amendment of Section 4.3(a)(i). Section 4.3(a)(i) of the Program Agreement is hereby amended by adding the following words immediately after the semicolon:

provided that, with respect to the Employee Accounts, FDS Bank shall establish all FDS Bank Policies and Terms as set forth in Schedule 2.1(b);

6. Amendment of Section 4.7(b). Section 4.7(b) of the Program Agreement is hereby amended by deleting the second sentence in such section in its entirety.

7. Amendment of Section 9.3(c). Section 9.3(c) of the Program Agreement is hereby amended by replacing such Section in its entirety with the following:

(c) Card Association Compensation. The Parties hereby agree to the terms and conditions set forth on Schedule 9.3(c).

8. Amendment of Section 11.4(g). Section 11.4(g) of the Program Agreement is hereby amended by adding the following sentence at the end of such Section immediately after the last sentence thereof:

For the avoidance of doubt, "Special Condition" shall not include any Applicable Order or any other requirement of Applicable Law affecting the operation of the Program to the extent relating to or resulting from actions taken to maintain the existence of FDS Bank with the Office of Thrift Supervision.

9. Amendment of Section 12.1. Section 12.1 of the Program Agreement is hereby amended by adding the words “, including, without limitation, the facilities of any third-party collection agency utilized in connection with the Program,” immediately after the word “facility” and immediately prior to the word “related.”

10. Amendment of Section 12.2. Section 12.2 of the Program Agreement is hereby amended by adding the words “, including any third-party collection agency utilized by such Party in connection with the Program,” immediately after the word “Party” and immediately prior to the words “to ensure” in clause (ii) of Section 12.2.

11. Amendment of Section 16.2(d). Section 16.2(d) of the Program Agreement is hereby amended by adding the words “constituting Program Assets” immediately after the words “Cardholder Indebtedness” in each instance in which the words “Cardholder Indebtedness” appear. Section 16.2(d) of the Program Agreement is hereby further amended by adding the words “under any Employee Account owned by FDS Bank at any time after the Effective Time or under any Account” immediately after the words “was outstanding” and immediately before the words “at the time of the First Closing” in the last sentence of Section 16.2(d).

12. Amendment to Section 18.2.

(a) Section 18.2 of the Program Agreement is hereby amended by adding the words “(a) the rights and obligations of Citibank, N.A. set forth in Schedule 2.1(b) (including the exhibits thereto) shall not be assigned to CEBA Bank, and (b)” immediately after the words “consent, provided, however, that” and immediately before the words “the indemnification obligations”.

(b) Section 18.2 of the Program Agreement is hereby further amended by replacing the words “provided, further, that FDS Bank may assign” with the words “provided, further, that each of FDS Bank, Macy’s and Bloomingdales may assign”.

13. Amendment of Section 18.3. Section 18.3 of the Program Agreement is hereby amended by adding “2.1(b),” immediately after “set forth in Sections” and immediately before “18.1 or 18.2”.

14. Amendment of Schedule 1.1(i).

(a) Schedule 1.1(i) of the Program Agreement is hereby amended by adding the following text (formatted flush left) below the definition of “FDS Profit Share” and above the definition of “Pre-Tax Adjusted ROAA”:

The FDS Profit Share will be calculated monthly based on the sum of the monthly Pre-Tax Profit for the period from the beginning of the then-current Fiscal Year through the end of the preceding Fiscal Month.

(b) Schedule 1.1(i) of the Program Agreement is hereby further amended by replacing the definition of “Pre-Tax Adjusted ROAA” in its entirety with the following:

“Pre-Tax Adjusted ROAA” equals (a) Pre-Tax Profit divided by (b) an amount equal to the product of (i) Average Receivables divided by the total number of days in the applicable Fiscal Year multiplied by (ii) the number of days to date in the applicable Fiscal Year.

15. New Schedule 2.1(b). The Program Agreement is hereby amended by adding a new Schedule 2.1(b) attached hereto.

16. Amendment of Schedule 9.3(a). Section (i) of Schedule 9.3(a) of the Program Agreement is hereby amended by replacing such section in its entirety with the following:

(i) Card Association Arrangements. The amounts payable to FDS Bank pursuant to Section 9.3(c) for the prior Fiscal Month.

17. New Schedule 9.3(c). The Program Agreement is hereby amended by adding a new Schedule 9.3(c) attached hereto.

18. Macy’s and Bloomingdales. The parties hereto hereby agree that Macy’s and Bloomingdale’s shall be parties to the Program Agreement.

19. Capacity; Authorization; Validity.

(a) FDS hereby represents and warrants to Bank as of the date hereof:

(i) Each FDS Company has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements to be executed and delivered by such FDS Company pursuant hereto.

(ii) The execution and delivery by the FDS Companies of this Amendment and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the FDS Companies.

(iii) This Amendment (A) has been duly executed and delivered by the FDS Companies, (B) constitutes the valid and legally binding obligation of the FDS Companies, and (C) is enforceable against the FDS Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the FDS Companies as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

20. Effect of Amendment. This Amendment is hereby incorporated into and made a part of the Program Agreement. Except as amended by this Amendment, all terms and provisions of the Program Agreement shall continue and remain in full force and effect and binding upon the parties thereto.

21. Binding Effect. This Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

22. Governing Law. This Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

23. Counterparts/Facsimiles. This Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed as of the date first above written.

CITIBANK, N.A.

By: /s/ Ray Quinlan

Name: Ray Quinlan

Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Executive Vice President and Chief Financial Officer

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

FACS GROUP, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

MACY'S DEPARTMENT STORES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

BLOOMINGDALES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

Schedule 2.1(b)

Employee Accounts

Notwithstanding anything to contrary contained in this Agreement, this Schedule 2.1(b) shall be applicable to all Employee Accounts. Except as otherwise set forth in this Schedule 2.1(b), Employee Accounts shall be “Accounts” under this Agreement and all Cardholder Indebtedness existing under Employee Accounts shall be “Cardholder Indebtedness” under this Agreement. The capitalized terms “Prime,” “Prime Master Trust” and “Prime Securitization Documents” used in this Schedule 2.1(b) and the exhibits hereto shall have the meanings assigned to them in the Purchase Agreement.

1. **Ownership of Employee Accounts.** FDS Bank shall offer and issue the Employee Accounts. FDS Bank shall be the sole and exclusive owner of all Employee Accounts (except to the extent transferred to CEBA Bank pursuant to this Schedule 2.1(b) upon ceasing to be Employee Accounts), Cardholder Indebtedness under the Employee Accounts (except to the extent transferred to Prime, Bank or its designee pursuant to this Schedule 2.1(b)) and Account Documentation with respect to Employee Accounts (except to the extent transferred and assigned to CEBA Bank pursuant to this Schedule 2.1(b)). All purchases by Cardholders that are charged on the Employee Accounts and the Cardholder Indebtedness under Employee Accounts shall create a relationship of debtor and creditor between the Cardholders and FDS Bank, respectively. None of the FDS Companies or their Affiliates, other than FDS Bank, shall be considered a creditor with respect to any Employee Account or the Cardholder Indebtedness arising thereunder. FDS Bank shall fund all Cardholder Indebtedness under the Employee Accounts until such time as such Cardholder Indebtedness is transferred to Prime, Bank (or its designee) pursuant to this Schedule 2.1(b).

2. **Prepaid Employee Accounts.** In the case of any employee of FDS or any of its Subsidiaries who applies for an FDS Credit Card but is not approved for a Private Label Account in accordance with the Risk Management Policies applicable to Employee Accounts, FDS Bank may offer, or cause to be offered, and FDS Bank may issue, or arrange for the issuance of, a Prepaid Employee Account.

3. **Ancillary Products.** Unless otherwise determined by the Operating Committee, Bank shall offer and issue (or arrange to be issued by an Affiliate or another third party acceptable to FDS or currently offering such products on Bank’s behalf) the Approved Ancillary Products with respect to Employee Accounts to the same extent Approved Ancillary Products are offered and issued with respect to similar non-Employee Accounts hereunder.

4. **Transfer of Cardholder Indebtedness Under Employee Accounts.** All Cardholder Indebtedness under the Employee Accounts (but not the Employee Accounts themselves) shall be transferred to:

- (a) Prime pursuant to the Prime Securitization Documents until the termination of the Prime Master Trust; and

(b) from and after the termination of the Prime Master Trust, to Bank or its designee (which shall be a wholly-owned subsidiary of Bank or securitization vehicle of Bank used to securitize Cardholder Indebtedness under the Accounts as permitted pursuant to Section 18.1 of this Agreement) one Business Day after the creation of such Cardholder Indebtedness or such other time frame as may be agreed upon by the Operating Committee for a price equal to [redacted] (paid by wire transfer of immediately available funds to an account designated in writing by FDS Bank) on the terms and conditions set forth in Exhibit A to this Schedule 2.1(b); provided that Bank shall not be required to accept the transfer of any Cardholder Indebtedness pursuant to this Schedule 2.1(b) if the FDS Policies and Terms (as defined below) are not substantially similar to the Risk Management Policies and terms and conditions applicable to similar non-Employee Accounts hereunder, which determination shall be made by Bank in its reasonable discretion (other than such FDS Policies and Terms that differ as a result of the different domicile of FDS Bank and CEBA Bank)). If Cardholder Indebtedness under any Employee Account is not transferred to Bank or its designee pursuant to the proviso in the preceding sentence, this Agreement shall be deemed inapplicable to such Employee Account. So long as FDS Bank retains Cardholder Indebtedness pursuant to the foregoing provisions of this section 4: (i) such Cardholder Indebtedness shall cease to be “Cardholder Indebtedness” for any purpose under this Agreement and such Employee Account shall cease to be an “Account” for any purpose under this Agreement; (ii) such Employee Account shall continue to be serviced, as reasonably practicable, in a manner consistent with Accounts hereunder, subject to such adjustments to the servicing fees payable in respect thereof as are necessary to reflect any additional costs incidental to such servicing; and (iii) FDS Bank shall be entitled to administer such Employee Account as it deems advisable without regard to the restrictions otherwise applicable to FDS and its Affiliates hereunder (including the exclusivity restrictions set forth in Article II hereof) and shall be entitled to retain all revenues and proceeds therefrom.

5. Transfer of Employee Accounts. In the event an Employee Account ceases to be an Employee Account, such Account shall be transferred to CEBA Bank (together with the applicable Account Documentation and an assignment of applicable Credit Card Agreement) on the terms and conditions set forth in Exhibit B to this Schedule 2.1(b) within one Business Day following such change in status without the payment of any amount, provided that [redacted]. In the event an Account becomes an Employee Account, such Account shall be transferred to FDS Bank (together with the applicable Account Documentation and an assignment of applicable Credit Card Agreement) on the terms and conditions set forth in Exhibit C to this Schedule 2.1(b) within one Business Day following such change in status without the payment of any amount.

6. Risk Management and Cardholder Terms. [redacted] (collectively, the “FDS Bank Policies and Terms”) and notwithstanding Section 3.2(g) and Schedule 3.2(g), changes to the FDS Bank Policies and Terms shall be FDS Matters. Without limiting the foregoing, however, the Parties intend for the FDS Bank Policies and Terms to be, to the extent permitted by Applicable Law, the same as the Risk Management Policies and the terms and conditions applicable to similar non-Employee Accounts hereunder. FDS Bank shall give written notice to Bank at least thirty (30) days prior to any change in the FDS Bank Policies and Terms (each such notice, an “FDS Bank Policy Change Notice”), which notice shall include the effective date of such change; provided that such notice need not be given to the extent the same change is made to the Risk Management Policies or the terms and conditions applicable to similar non-Employee Accounts hereunder.

7. Cardholder Data. The Cardholder Data applicable to Employee Accounts shall be the property of and exclusively owned by FDS Bank and the applicable privacy policy shall be the FDS Bank privacy policy. FDS Bank may use and disclose Cardholder Data applicable to Employee Accounts in compliance with Applicable Law and the FDS Bank privacy policy.

8. Securitization. Bank and its Affiliates shall have the right to securitize or participate the Cardholder Indebtedness under the Employee Accounts solely to the extent such Cardholder Indebtedness has been transferred to Prime, Bank or its designee pursuant to this Schedule 2.1(b)) or the Employee Accounts or any part thereof and solely to the extent permitted under Section 18.2 of this Agreement.

[End of Schedule]

Exhibit A to
Schedule 2.1(b)

Transfer of Employee Account Cardholder Indebtedness

The terms and conditions set forth on this Exhibit A to this Schedule 2.1(b) shall be applicable to all transfers of Cardholder Indebtedness by FDS Bank to Citibank, N.A. (or its designee) pursuant to Schedule 2.1(b).

1. Transfer of Cardholder Indebtedness.

(a) Prior to the termination of the Prime Master Trust, Cardholder Indebtedness under any Employee Account (hereinafter, "Employee Account Cardholder Indebtedness") shall be transferred to Prime pursuant to the Prime Securitization Documents.

(b) From and after the termination of the Prime Master Trust, one Business Day after the creation of any Employee Account Cardholder Indebtedness, subject to Section 4(b) of Schedule 2.1(b), FDS Bank hereby transfers, assigns and otherwise conveys to Citibank, N.A. (or its designee), without recourse, all right, title and interest of FDS Bank, in, to and under such Employee Account Cardholder Indebtedness, all monies due or to become due with respect thereto and all proceeds (including "proceeds" as defined in the UCC) thereof. Citibank, N.A. hereby accepts (for itself or its designee) all right, title and interest in, to and under such property so transferred. In consideration for each such transfer, on the day of each such transfer, Citibank, N.A. shall pay (or cause to be paid) to FDS Bank, by wire transfer of immediately available funds to an account designated by FDS Bank, a dollar amount equal to the aggregate amount of Employee Account Cardholder Indebtedness transferred to Citibank, N.A. (or its designee) on the such Business Day.

2. Sale. The Parties intend that each transfer of Employee Account Cardholder Indebtedness pursuant to this Exhibit A constitutes a sale, and not a secured borrowing, for all purposes.

3. Representations and Warranties of FDS Bank. FDS Bank makes the following representations and warranties to Citibank, N.A. as of each date on which a transfer occurs pursuant to section 1(b) of this Exhibit A solely with respect to the transfer(s) on such date:

(a) FDS Bank (i) is a federally chartered stock savings bank duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on FDS Bank's ability to perform its obligations under this Exhibit A.

(b) FDS Bank has all necessary corporate power and authority to perform the obligations required of FDS Bank under this Exhibit A. The consummation by FDS Bank of the transactions specified in this Exhibit A have been duly and validly authorized and approved by all necessary corporate actions of the FDS Bank.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by FDS Bank in connection with the transfer of Employee Account Cardholder Indebtedness pursuant to section 1 of this Exhibit A have been duly obtained, effected or given and are in full force and effect.

(d) FDS Bank is the sole owner of and has good and marketable title to the Employee Account Cardholder Indebtedness. Upon the completion of each transfer of Employee Account Cardholder Indebtedness pursuant to this Exhibit A, such Employee Account Cardholder Indebtedness shall vest or be vested in Citibank, N.A. (or its designee) free and clear of all Liens (as defined in the Purchase Agreement).

(e) To the Knowledge of FDS Bank, the Employee Account Cardholder Indebtedness arises from or in connection with a bona fide sale or loan transaction.

4. Representations and Warranties of Citibank, N.A. Citibank, N.A., on behalf of itself and each of its designees under this Exhibit A, makes the following representations and warranties to FDS Bank as of each date on which a transfer occurs pursuant to section 1(b) of this Exhibit A solely with respect to the transfer(s) on such date:

(a) Citibank, N.A. and each of its designees under this Exhibit A is (i) a national banking association or a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on such entity's ability to perform its obligations under this Exhibit A.

(b) Citibank, N.A. and each of its designees under this Exhibit A has all necessary corporate power and authority to perform the obligations required of it under this Exhibit A. The consummation by Citibank, N.A. and each of its designees under this Exhibit A of the transactions specified in this Exhibit A have been duly and validly authorized and approved by all necessary corporate actions of such entity.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by Citibank, N.A. in connection with the transfer of Cardholder Indebtedness pursuant to section 1 of this Exhibit A have been duly obtained, effected or given and are in full force and effect.

5. Covenants.

(a) Except for the transfers pursuant to section 1 of this Exhibit A, FDS Bank will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien arising through or under FDS Bank on any of Employee Account Cardholder Indebtedness other than the Lien in favor of Citibank, N.A. by virtue of this Agreement.

(b) FDS Bank will notify Citibank, N.A. promptly after becoming aware of any Lien arising through or under FDS Bank on any Employee Account Cardholder Indebtedness.

6. Documentation. The Parties agree that all transfers of Cardholder Indebtedness pursuant to this Exhibit A shall be documented by the entry of the appropriate data on the applicable Systems used by or on behalf of any Party to service the Accounts and such other legally sufficient evidence and reporting as shall be mutually agreed upon by the Parties from time to time.

[End of Exhibit]

Exhibit B
to Schedule 2.1(b)

Transfer of Former Employee Accounts

The terms and conditions set forth on this Exhibit B to this Schedule 2.1(b) shall be applicable to all transfers of Accounts by FDS Bank to CEBA Bank (or its designee) pursuant to Schedule 2.1(b) at such time as any Accounts owned by FDS Bank cease to be Employee Accounts (the “Former Employee Accounts”).

1. Transfer of Employee Accounts. Effective at the close of business on each Business Day, subject to Section 5 of Schedule 2.1(b), FDS Bank hereby transfers, assigns and otherwise conveys to CEBA Bank (or its designee), without recourse, all right, title and interest of FDS Bank, in, to and under the Former Employee Accounts, the Credit Card Agreements relating solely to such Former Employee Accounts and the Account Documentation relating solely to each such Former Employee Accounts. CEBA Bank hereby accepts (for itself, or its designee) all right, title and interest in, to and under such property so transferred. For the avoidance of doubt, such transfer shall not require any additional payment by CEBA Bank (or its designee) to FDS Bank.

2. Representations and Warranties of FDS Bank. FDS Bank makes the following representations and warranties to CEBA Bank as of each date on which a transfer occurs pursuant to section 1 of this Exhibit B solely with respect to the transfer(s) on such date:

(a) FDS Bank (i) is a federally chartered stock savings bank duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on FDS Bank’s ability to perform its obligations under this Exhibit B.

(b) FDS Bank has all necessary corporate power and authority to perform the obligations required of FDS Bank under this Exhibit B. The consummation by FDS Bank of the transactions specified in this Exhibit B have been duly and validly authorized and approved by all necessary corporate actions of the FDS Bank.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by FDS Bank in connection with the transfer of Former Employee Accounts pursuant to section 1 of this Exhibit B have been duly obtained, effected or given and are in full force and effect.

(d) FDS Bank is the sole owner of and has good and marketable title to the Former Employee Accounts. Upon the completion of each transfer of Former Employee Accounts pursuant to this Exhibit B, all right, title and interest in and to the Former Employee Accounts shall vest or be vested in CEBA Bank (or its designee) free and clear of all Liens (as defined in the Purchase Agreement).

(e) To the Knowledge of FDS Bank, each Credit Card Agreement with respect to each Former Employee Account is a valid and legally binding obligation of each obligor thereunder, including any cosigner, guarantor or surety, and is enforceable against such obligors in accordance with its terms, subject to (i) possible claims and defenses on disputed card transactions asserted by a Cardholder, (ii) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally and the effect of general equitable principles, and (iii) the Servicemembers Civil Relief Act.

(f) Each Former Employee Account complies in all material respects with the applicable Credit Card Agreement.

(g) All Former Employee Account applications have been taken and evaluated and applicants notified in a manner that complied with all Applicable Law and the FDS Bank Policies and Terms.

(h) All Former Employee Accounts have been underwritten, maintained and serviced in compliance with all Applicable Law and the FDS Bank Policies and Terms.

(i) All disclosures made in connection with the Former Employee Accounts complied in all material respects with all Applicable Law and the FDS Bank Policies and Terms.

3. Representations and Warranties of CEBA Bank. CEBA Bank, on behalf of itself and each of its designees under this Exhibit B, makes the following representations and warranties to FDS Bank as of each date on which a transfer occurs pursuant to section 1 of this Exhibit B solely with respect to the transfer(s) on such date:

(a) CEBA Bank and each of its designees under this Exhibit B is (i) a federally chartered bank or a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on such entity's ability to perform its obligations under this Exhibit B.

(b) CEBA Bank and each of its designees under this Exhibit B has all necessary corporate power and authority to perform the obligations required of it under this Exhibit B. The consummation by CEBA Bank and each of its designees under this Exhibit B of the transactions specified in this Exhibit B have been duly and validly authorized and approved by all necessary corporate actions of such entity.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by CEBA Bank in connection with the transfer of Former Employee Accounts pursuant to section 1 of this Exhibit B have been duly obtained, effected or given and are in full force and effect.

4. Documentation. The Parties agree that all transfers of Accounts pursuant to this Exhibit B shall be documented by the entry of the appropriate data on the applicable Systems used by or on behalf of any Party to service the Accounts and such other legally sufficient evidence and reporting as shall be mutually agreed upon by the Parties from time to time.

[End of Exhibit]

Exhibit C to
Schedule 2.1(b)

Transfer of Converted Employee Accounts

The terms and conditions set forth on this Exhibit C to this Schedule 2.1(b) shall be applicable to all transfers of Accounts by CEBA Bank to FDS Bank pursuant to Schedule 2.1(b) at such time as any Accounts owned by CEBA Bank become Employee Accounts (the “Converted Employee Accounts”).

1. **Transfer of Employee Accounts.** Effective at the close of business on each Business Day, CEBA Bank hereby transfers, assigns and otherwise conveys to FDS Bank (or its designee), without recourse, all right, title and interest of CEBA Bank, in, to and under the Converted Employee Accounts, the Credit Card Agreements relating solely to such Converted Employee Accounts and the Account Documentation relating solely to each such Converted Employee Accounts. FDS Bank hereby accepts all right, title and interest in, to and under such property so transferred. For the avoidance of doubt, such transfer shall not require any additional payment by FDS Bank to CEBA Bank.

2. **Representations and Warranties of CEBA Bank.** CEBA Bank makes the following representations and warranties to FDS Bank as of each date on which a transfer occurs pursuant to section 1 of this Exhibit C solely with respect to the transfer(s) on such date:

(a) CEBA Bank (i) is a federally chartered bank duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on CEBA Bank’s ability to perform its obligations under this Exhibit C.

(b) CEBA Bank has all necessary corporate power and authority to perform the obligations required of CEBA Bank under this Exhibit C. The consummation by CEBA Bank of the transactions specified in this Exhibit C have been duly and validly authorized and approved by all necessary corporate actions of the CEBA Bank.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by CEBA Bank in connection with the transfer of Converted Employee Accounts pursuant to section 1 of this Exhibit C have been duly obtained, effected or given and are in full force and effect.

(d) CEBA Bank is the sole owner of and has good and marketable title to the Converted Employee Accounts. Upon the completion of each transfer of Converted Employee Accounts pursuant to this Exhibit C, all right, title and interest in and to the Converted Employee Accounts shall vest or be vested in FDS Bank free and clear of all Liens (as defined in the Purchase Agreement).

(e) To the Knowledge of CEBA Bank, each Credit Card Agreement with respect to each Converted Employee Account is a valid and legally binding obligation of each obligor thereunder, including any cosigner, guarantor or surety, and is enforceable against such obligors in accordance with its terms, subject to (i) possible claims and defenses on disputed card transactions asserted by a Cardholder, (ii) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally and the effect of general equitable principles, and (iii) the Servicemembers Civil Relief Act.

(f) Each Converted Employee Account complies in all material respects with the applicable Credit Card Agreement with respect to the period from and after the Effective Time Law (to the Knowledge of CEBA Bank to the extent such functions are performed by an FDS Company pursuant to this Agreement).

(g) From and after the Effective Time, all Converted Employee Account applications have been taken and evaluated and applicants notified in a manner that complied with all Applicable Law (to the Knowledge of CEBA Bank to the extent such functions are performed by an FDS Company pursuant to this Agreement).

(h) From and after the Effective Time, all Converted Employee Accounts have been underwritten, maintained and serviced in compliance with all Applicable Law (to the Knowledge of CEBA Bank to the extent such functions are performed by an FDS Company pursuant to this Agreement).

(i) All disclosures made in connection with the Converted Employee Accounts complied in all material respects with all Applicable Law.

3. Representations and Warranties of FDS Bank. FDS Bank makes the following representations and warranties to CEBA Bank as of each date on which a transfer occurs pursuant to section 1 of this Exhibit C solely with respect to the transfer(s) on such date:

(a) FDS Bank (i) is a federally chartered stock savings bank duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on FDS Bank's ability to perform its obligations under this Exhibit C.

(b) FDS Bank has all necessary corporate power and authority to perform the obligations required of FDS Bank under this Exhibit C. The consummation by FDS Bank of the transactions specified in this Exhibit C have been duly and validly authorized and approved by all necessary corporate actions of the FDS Bank.

(c) All authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by FDS Bank in connection with the transfer of Converted Employee Accounts pursuant to section 1 of this Exhibit C have been duly obtained, effected or given and are in full force and effect.

4. Documentation. The Parties agree that all transfers of Accounts pursuant to this Exhibit C shall be documented by the entry of the appropriate data on the applicable Systems used by or on behalf of any Party to service the Accounts and such other legally sufficient evidence and reporting as shall be mutually agreed upon by the Parties from time to time.

[End of Exhibit]

Schedule 9.3(c)

Card Association Compensation

(i) [redacted]

(ii) [redacted]

(iii) [redacted]

(iv) The following capitalized terms used in this Schedule 9.3(c) have the meanings given to such terms below.

“Actual Service Fees” means, at any date, the aggregate of the actual service fees paid by Bank or its Affiliates to the Card Association in respect of the Program during the period from the Effective Time to such date.

“Actual Visa Amounts” means the aggregate of all amounts payable by Bank pursuant to section (ii) of this Schedule 9.3(c), [redacted].

“Assumed Service Fees” means, at any date, the aggregate of the service fees that would have been payable by FDS Bank to the Card Association pursuant to the Visa Commitment Document during the period from the Effective Time to such date assuming FDS Bank owned all of the General Purpose Accounts during such period and the Card Association Contract, as it existed immediately prior to the Effective Time, was in effect for the entirety of such period.

“Assumed Visa Amounts” means, at any date, all amounts that would have been [redacted].

“Remaining Servicing Fee Benefit” means, at any date, [redacted].

[End of Schedule]

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SECOND AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT

This SECOND AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT, dated as of June 1, 2005, (this “Amendment”) is made and entered into as of May 19, 2006, by and among Federated Department Stores, Inc., a Delaware corporation, (“FDS”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), FACS Group, Inc., an Ohio corporation (“FACS”), Macy’s Department Stores, Inc., an Ohio corporation (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation (“Bloomingdale’s”; and together with FDS, FDS Bank, FACS and Macy’s, the “FDS Companies”), and Department Stores National Bank, a national banking association (as assignee of Citibank, N.A., a national banking association) (“Bank”).

WHEREAS, the FDS Companies and Bank are parties to that certain Credit Card Program Agreement dated, as of June 1, 2005, as amended by the First Amendment to Credit Card Program Agreement and the letter agreement, each dated as of October 24, 2005 (the “Program Agreement”);

WHEREAS, the parties hereto have agreed to permit the sale, pursuant to the Purchase Agreement, of those May Assets (as defined in the Purchase Agreement) and May Liabilities (as defined in the Purchase Agreement) relating to May Accounts (as defined in the Purchase Agreement) that have been converted from May Co. credit Systems to FACS Group, Inc. credit Systems prior to the Third Closing Date (as defined in the Purchase Agreement); and

WHEREAS, the parties hereto desire to amend the Program Agreement in accordance with Section 18.5 of the Program Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Amendment have the meanings assigned to them in the Program Agreement.

2. References to May Accounts. All provisions of the Program Agreement (including the Schedules thereto) referring to the “May Accounts,” the “May Purchase Price,” the “Third Closing,” the “Third Closing Date” and the “Final Third Closing Statement” shall apply *mutatis mutandis* to the “Converted May Accounts,” the “CM Purchase Price,” the “CM Closing,” the “CM Closing Date” and the “Final CM Closing Statement” (in each case, as defined in the Purchase Agreement), respectively; provided, however,

that references to the “Third Closing” in the definition of “Adverse Sales Development” and Section 16.2(d)(iv) of the Program Agreement shall apply solely to such closing and not to the CM Closing. All provisions of the Program Agreement referring to the “May Accounts,” the “May Purchase Price,” the “Third Closing,” the “Third Closing Date” and the “Final Third Closing Statement” shall continue to apply thereto as set forth in the Program Agreement, but references to the “May Accounts” shall be deemed to exclude “Converted May Accounts.”

3. Amendment of Section 2.2(b). Section 2.2(b) of the Program Agreement is hereby amended by adding the following text at the end of such Section:

“For the avoidance of doubt, from the CM Closing Date until the Third Closing Date, Bank shall not have the right to issue, offer or market a Credit Card bearing the following names of FDS retail divisions or have any other rights hereunder with respect to the offering of any products or services with respect to such FDS retail divisions: (a) Robinson’s-May, (b) Meier & Frank, (c) Foley’s, (d) Marshall Fields, (e) Lord & Taylor and (f) David’s Bridal.”

4. Amendment of Section 9.3(a). Section 9.3(a) of the Program Agreement is hereby amended by adding the following text at the end of such Section:

“Except to the extent paid pursuant to the previous sentence, not later than 10 A.M. (Eastern time) on each Business Day, Bank shall pay to FDS Bank an amount determined in accordance with Schedule 9.3(a)(i).”

5. Amendment of Section 17.1. Section 17.1(f) of the Program Agreement is hereby amended by replacing such section in its entirety with the following text:

“(f) any Solicitation Materials distributed by an FDS Company and not (i) approved by the Operating Committee or (ii) provided by Bank;”.

6. Amendment of Section 17.2.

(a) Section 17.2 of the Program Agreement is hereby amended by adding “(direct or indirect)” after the word “damages” in the portion of the sentence that is before clause (a) of Section 17.2.

(b) Section 17.2(g) of the Program Agreement is hereby amended by replacing the words “any third party” with the words “any Governmental Authority or other third party”.

7. Amendment of Schedule 1.1(e). Schedule 1.1(e) of the Program Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(e) attached hereto.

8. Amendment of Schedule 1.1(f). Schedule 1.1(f) of the Program Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(f) attached hereto.

9. Amendment of Schedule 1.1(k). Schedule 1.1(k) of the Program Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(k) attached hereto.

10. Amendment of Schedule 1.1(l). Schedule 1.1(l) of the Program Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 1.1(l) attached hereto.

11. Amendment of Schedule 4.8(b)(ii). Schedule 4.8(b)(ii) of the Program Agreement is hereby amended by replacing such Schedule in its entirety with Schedule 4.8(b)(ii) attached hereto.

12. Amendment of Schedule 9.3(a). Section (a) of Schedule 9.3(a) of the Program Agreement is hereby amended by replacing such section in its entirety with the following text:

“(a) Monthly Net Credit Sale Share: The compensation payable to FDS on a monthly basis shall be reduced by an amount equal to the product of the aggregate Net Credit Sale Share paid to FDS Bank pursuant to Schedule 9.3(a)(i) during the preceding Fiscal Month multiplied by the annualized Funding Cost for such Fiscal Month, divided by 360, and multiplied by 20.”

13. New Schedule 9.3(a)(i). The Program Agreement is hereby amended by adding a new Schedule 9.3(a)(i) attached hereto.

14. Amendment of Schedule 9.3(c). Schedule 9.3(c) of the Program Agreement is hereby amended by adding the following new clause (v) at the end thereof:

“(v) For the avoidance of doubt, the parties acknowledge and agree that all May Accounts shall be covered by and subject to the provisions of this Schedule 9.3(c) from and after the Third Closing Date.”

15. Waiver of Compliance with Section 2.2(d). Bank hereby waives compliance by FDS or any of its Affiliates with Section 2.2(d) of the Program Agreement solely with respect to the issuance by FDS Bank of FDS Debit Cards to customers whose Credit Card Applications have been declined by Bank in accordance with the terms and provisions of the Program Agreement, *provided* that in the event FDS or any of its Affiliates determines and communicates in writing to the OTS its decision not to offer, issue or market any of the FDS Debit Cards in furtherance of the implementation of the business plan of FDS Bank (which FDS or one of its Affiliates shall do as promptly as practicable following such determination), such waiver shall no longer apply and the provisions of Section 2.2(d) shall continue to apply to FDS and its Affiliates following the date hereof. At the request of FDS, the FDS Companies and Bank shall engage in discussions regarding mutually agreeable extensions of the scope of the waiver of Section 2.2(d).

16. Capacity; Authorization; Validity.

(a) FDS hereby represents and warrants to Bank as of the date hereof:

(i) Each FDS Company has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements to be executed and delivered by such FDS Company pursuant hereto.

(ii) The execution and delivery by the FDS Companies of this Amendment and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the FDS Companies.

(iii) This Amendment (A) has been duly executed and delivered by the FDS Companies, (B) constitutes the valid and legally binding obligation of the FDS Companies, and (C) is enforceable against the FDS Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the FDS Companies as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

17. Effect of Amendment. This Amendment is hereby incorporated into and made a part of the Program Agreement. Except as amended by this Amendment, all terms and provisions of the Program Agreement shall continue and remain in full force and effect and binding upon the parties thereto.

18. Binding Effect. This Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

19. Governing Law. This Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

20. Counterparts/Facsimiles. This Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be duly executed as of the date first above written.

DEPARTMENT STORES NATIONAL BANK

By: /s/ Douglas C. Morrison

Name:

Title:

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel and Secretary

FDS BANK

By: /s/ Susan R. Robinson

Name: Susan R. Robinson

Title: Treasurer

FACS GROUP, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

MACY'S DEPARTMENT STORES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

BLOOMINGDALES, INC.

By: /s/ Bradley R. Mays

Name: Bradley R. Mays

Title: Vice President

SCHEDULE 1.1(e)
FDS Licensed Marks

Trademark	Registration No.
BURDINES (SM)	1,799,777
THE BON (SM)	1,154,284
THE BON MARCHE	2,129,644
RICH'S (SM)	1,126,482
LAZARUS (SM)	1,422,340
GOLDSMITH'S (SM)	1,843,309
BON-MACY'S	78/481569
LAZARUS-MACY'S	78/481586
RICH'S-MACY'S	78/481602
GOLDSMITH'S-MACY'S	78/481620
BURDINES-MACY'S	78/481634
MACY'S	78,333
MACY'S	355,755
MACY'S	360,801
MACY'S	922,972
MACY'S	355,446
BLOOMINGDALE'S (SM)	1,581,982
BLOOMINGDALE'S	945,425
BLOOMINGDALE'S	1,999,984
BLOOMINGDALE'S	2,010,033
FILENE'S [TO BE PROVIDED]	
STRAWBRIDGE'S [TO BE PROVIDED]	
HECHT'S [TO BE PROVIDED]	
KAUFMANN'S [TO BE PROVIDED]	
L.S. AYRES [TO BE PROVIDED]	
THE JONES STORE [TO BE PROVIDED]	
FAMOUS BARR [TO BE PROVIDED]	

For the avoidance of doubt, "FDS Licensed Marks" shall not include the following marks until the May Closing Date. Following the May Closing Date, the following shall be deemed to be "FDS Licensed Marks":

ROBINSON'S-MAY
MEIER & FRANK
FOLEY'S
MARSHALL FIELDS

SCHEDULE 1.1(f)
High Collar and Low Collar

“High Collar” means (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

From the CM Closing Date until the May Transition Period End Date, the High Collar with respect to the Accounts associated with May Department Stores shall be (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

Following the last day of the 2006 Fiscal Year of FDS (the “May Transition Period End Date”), the transitional collars set forth above shall no longer be applicable and the High Collar percentages set forth before the proviso in the first sentence of this definition shall apply to all Accounts; *provided, however*, [redacted].

“Low Collar” means (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

From the CM Closing Date until the May Transition Period End Date, the Low Collar with respect to the Accounts associated with May Department Stores shall be (i) with respect to the Finance Charge Reversal Percentage applicable to the Private Label Accounts, [redacted].

After the May Transition Period End Date, the transitional collars set forth above shall no longer be applicable and the Low Collar percentages set forth before the proviso in the first sentence of this definition shall apply to all Accounts; *provided, however*, [redacted].

SCHEDULE 1.1(l)
Marketing Commitments

Additional Marketing Commitment:

- For the period from the Effective Date through the end of Fiscal Year 2005, (FDS Accounts only) - [redacted]
- For Fiscal Year 2006:
[redacted]
- For Fiscal Year 2007 and thereafter:
[redacted]

FDS Marketing Commitment:

- For the period from the Effective Date through the end of Fiscal Year 2005, (FDS Accounts only) - [redacted]
- For Fiscal Year 2006:
[redacted]
- For Fiscal Year 2007 and thereafter:
[redacted]

SCHEDULE 1.1(k)
Unamortized Premium

Period Ending on Anniversary of Effective Date Set Forth Below	Unamortized Premium with respect to the FDS Assets	Unamortized Premium with respect to the GE/Macy's Assets	Unamortized Premium with respect to the May Assets	Unamortized Premium
May-05				
Jun-05				
Jul-05				
Aug-05				
Sep-05				
Oct-05				
Nov-05	[redacted]			[redacted]
Dec-05	[redacted]			[redacted]
Jan-06	[redacted]			[redacted]
Feb-06	[redacted]			[redacted]
Mar-06	[redacted]			[redacted]
Apr-06	[redacted]			[redacted]
May-06	[redacted]	[redacted]		[redacted]
Jun-06	[redacted]	[redacted]	[redacted]	[redacted]
Jul-06	[redacted]	[redacted]	[redacted]	[redacted]
Aug-06	[redacted]	[redacted]	[redacted]	[redacted]
Sep-06	[redacted]	[redacted]	[redacted]	[redacted]
Oct-06	[redacted]	[redacted]	[redacted]	[redacted]
Nov-06	[redacted]	[redacted]	[redacted]	[redacted]
Dec-06	[redacted]	[redacted]	[redacted]	[redacted]
Jan-07	[redacted]	[redacted]	[redacted]	[redacted]
Feb-07	[redacted]	[redacted]	[redacted]	[redacted]
Mar-07	[redacted]	[redacted]	[redacted]	[redacted]
Apr-07	[redacted]	[redacted]	[redacted]	[redacted]
May-07	[redacted]	[redacted]	[redacted]	[redacted]
Jun-07	[redacted]	[redacted]	[redacted]	[redacted]
Jul-07	[redacted]	[redacted]	[redacted]	[redacted]
Aug-07	[redacted]	[redacted]	[redacted]	[redacted]

Sep-07	[redacted]	[redacted]	[redacted]	[redacted]
Oct-07	[redacted]	[redacted]	[redacted]	[redacted]
Nov-07	[redacted]	[redacted]	[redacted]	[redacted]
Dec-07	[redacted]	[redacted]	[redacted]	[redacted]
Jan-08	[redacted]	[redacted]	[redacted]	[redacted]
Feb-08	[redacted]	[redacted]	[redacted]	[redacted]
Mar-08	[redacted]	[redacted]	[redacted]	[redacted]
Apr-08	[redacted]	[redacted]	[redacted]	[redacted]
May-08	[redacted]	[redacted]	[redacted]	[redacted]
Jun-08	[redacted]	[redacted]	[redacted]	[redacted]
Jul-08	[redacted]	[redacted]	[redacted]	[redacted]
Aug-08	[redacted]	[redacted]	[redacted]	[redacted]
Sep-08	[redacted]	[redacted]	[redacted]	[redacted]
Oct-08	[redacted]	[redacted]	[redacted]	[redacted]
Nov-08	[redacted]	[redacted]	[redacted]	[redacted]
Dec-08	[redacted]	[redacted]	[redacted]	[redacted]
Jan-09	[redacted]	[redacted]	[redacted]	[redacted]
Feb-09	[redacted]	[redacted]	[redacted]	[redacted]
Mar-09	[redacted]	[redacted]	[redacted]	[redacted]
Apr-09	[redacted]	[redacted]	[redacted]	[redacted]
May-09	[redacted]	[redacted]	[redacted]	[redacted]
Jun-09	[redacted]	[redacted]	[redacted]	[redacted]
Jul-09	[redacted]	[redacted]	[redacted]	[redacted]
Aug-09	[redacted]	[redacted]	[redacted]	[redacted]
Sep-09	[redacted]	[redacted]	[redacted]	[redacted]
Oct-09	[redacted]	[redacted]	[redacted]	[redacted]
Nov-09	[redacted]	[redacted]	[redacted]	[redacted]
Dec-09	[redacted]	[redacted]	[redacted]	[redacted]
Jan-10	[redacted]	[redacted]	[redacted]	[redacted]
Feb-10	[redacted]	[redacted]	[redacted]	[redacted]
Mar-10	[redacted]	[redacted]	[redacted]	[redacted]
Apr-10	[redacted]	[redacted]	[redacted]	[redacted]
May-10	[redacted]	[redacted]	[redacted]	[redacted]
Jun-10	[redacted]	[redacted]	[redacted]	[redacted]
Jul-10	[redacted]	[redacted]	[redacted]	[redacted]

Aug-10	[redacted]	[redacted]	[redacted]	[redacted]
Sep-10	[redacted]	[redacted]	[redacted]	[redacted]
Oct-10	[redacted]	[redacted]	[redacted]	[redacted]
Nov-10	[redacted]	[redacted]	[redacted]	[redacted]
Dec-10	[redacted]	[redacted]	[redacted]	[redacted]
Jan-11	[redacted]	[redacted]	[redacted]	[redacted]
Feb-11	[redacted]	[redacted]	[redacted]	[redacted]
Mar-11	[redacted]	[redacted]	[redacted]	[redacted]
Apr-11	[redacted]	[redacted]	[redacted]	[redacted]
May-11	[redacted]	[redacted]	[redacted]	[redacted]
Jun-11	[redacted]	[redacted]	[redacted]	[redacted]
Jul-11	[redacted]	[redacted]	[redacted]	[redacted]
Aug-11	[redacted]	[redacted]	[redacted]	[redacted]
Sep-11	[redacted]	[redacted]	[redacted]	[redacted]
Oct-11	[redacted]	[redacted]	[redacted]	[redacted]
Nov-11	[redacted]	[redacted]	[redacted]	[redacted]
Dec-11	[redacted]	[redacted]	[redacted]	[redacted]
Jan-12	[redacted]	[redacted]	[redacted]	[redacted]
Feb-12	[redacted]	[redacted]	[redacted]	[redacted]
Mar-12	[redacted]	[redacted]	[redacted]	[redacted]
Apr-12	[redacted]	[redacted]	[redacted]	[redacted]
May-12	[redacted]	[redacted]	[redacted]	[redacted]
Jun-12	[redacted]	[redacted]	[redacted]	[redacted]
Jul-12	[redacted]	[redacted]	[redacted]	[redacted]
Aug-12	[redacted]	[redacted]	[redacted]	[redacted]
Sep-12	[redacted]	[redacted]	[redacted]	[redacted]
Oct-12	[redacted]	[redacted]	[redacted]	[redacted]
Nov-12	[redacted]	[redacted]	[redacted]	[redacted]
Dec-12	[redacted]	[redacted]	[redacted]	[redacted]
Jan-13	[redacted]	[redacted]	[redacted]	[redacted]
Feb-13	[redacted]	[redacted]	[redacted]	[redacted]
Mar-13	[redacted]	[redacted]	[redacted]	[redacted]
Apr-13	[redacted]	[redacted]	[redacted]	[redacted]
May-13	[redacted]	[redacted]	[redacted]	[redacted]
Jun-13	[redacted]	[redacted]	[redacted]	[redacted]

Jul-13	[redacted]	[redacted]	[redacted]	[redacted]
Aug-13	[redacted]	[redacted]	[redacted]	[redacted]
Sep-13	[redacted]	[redacted]	[redacted]	[redacted]
Oct-13	[redacted]	[redacted]	[redacted]	[redacted]
Nov-13	[redacted]	[redacted]	[redacted]	[redacted]
Dec-13	[redacted]	[redacted]	[redacted]	[redacted]
Jan-14	[redacted]	[redacted]	[redacted]	[redacted]
Feb-14	[redacted]	[redacted]	[redacted]	[redacted]
Mar-14	[redacted]	[redacted]	[redacted]	[redacted]
Apr-14	[redacted]	[redacted]	[redacted]	[redacted]
May-14	[redacted]	[redacted]	[redacted]	[redacted]
Jun-14	[redacted]	[redacted]	[redacted]	[redacted]
Jul-14	[redacted]	[redacted]	[redacted]	[redacted]
Aug-14	[redacted]	[redacted]	[redacted]	[redacted]
Sep-14	[redacted]	[redacted]	[redacted]	[redacted]
Oct-14	[redacted]	[redacted]	[redacted]	[redacted]
Nov-14	[redacted]	[redacted]	[redacted]	[redacted]
Dec-14	[redacted]	[redacted]	[redacted]	[redacted]
Jan-15	[redacted]	[redacted]	[redacted]	[redacted]
Feb-15	[redacted]	[redacted]	[redacted]	[redacted]
Mar-15	[redacted]	[redacted]	[redacted]	[redacted]
Apr-15	[redacted]	[redacted]	[redacted]	[redacted]
May-15	[redacted]	[redacted]	[redacted]	[redacted]
Jun-15	[redacted]	[redacted]	[redacted]	[redacted]
Jul-15	[redacted]	[redacted]	[redacted]	[redacted]
Aug-15	[redacted]	[redacted]	[redacted]	[redacted]
Sep-15	[redacted]	[redacted]	[redacted]	[redacted]
Oct-15	[redacted]	[redacted]	[redacted]	[redacted]
Nov-15	[redacted]	[redacted]	[redacted]	[redacted]
Dec-15	[redacted]	[redacted]	[redacted]	[redacted]
Jan-16	[redacted]	[redacted]	[redacted]	[redacted]
Feb-16	[redacted]	[redacted]	[redacted]	[redacted]
Mar-16	[redacted]	[redacted]	[redacted]	[redacted]
Apr-16	[redacted]	[redacted]	[redacted]	[redacted]
May-16	[redacted]	[redacted]	[redacted]	[redacted]
Jun-16	[redacted]	[redacted]	[redacted]	[redacted]
Jul-16	[redacted]	[redacted]	[redacted]	[redacted]

SCHEDULE 4.8(b)(ii)

If the percentage of Average Private Label Interest Free Receivables to Average Private Label Receivables:

Exceeds [redacted]

provided however, that from the CM Closing Date until the May Transition Period End Date (as defined in Schedule 1.1(f)) such thresholds shall not apply to any Cardholder Indebtedness under Accounts associated with May Department Stores (including the May Accounts and the Converted May Accounts) and for purposes of such calculations above “Total Portfolio” as used in the calculation of “Funding Cost” shall exclude Cardholder Indebtedness under Accounts associated with May Department Stores.

From the CM Closing Date until the May Transition Period End Date, if the percentage of Average Private Label Interest Free Receivables under the Accounts associated with May Department Stores to Average Private Label Receivables under such Accounts:

Exceeds [redacted]

provided that for purposes of such calculations above “Total Portfolio” as used in the calculation of “Funding Cost” shall only include Cardholder Indebtedness under Accounts associated with May Department Stores.

After the May Transition Period End Date, the transitional thresholds set forth above shall no longer be applicable and the thresholds set forth before the proviso in the first sentence of this definition shall apply to all Cardholder Indebtedness; provided that [redacted].

SCHEDULE 9.3(a)(i)
FDS Compensation
(for each Business Day)
Net Credit Sale Share

An amount equal to the sum of:

- (i) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an amount equal to [redacted]; and
- (ii) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an additional amount equal to [redacted].

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

FOURTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT

This FOURTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT (this “Fourth Amendment”) is effective as of August 1, 2008 (the “Effective Date”), by and among Macy’s, Inc., f/k/a Federated Department Stores, Inc., a Delaware corporation, (“Macy’s, Inc.”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), Macy’s Credit and Customer Services, Inc., f/k/a FACS Group, Inc., an Ohio corporation (“MCCS”), Macy’s Department Stores, Inc., an Ohio corporation (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation (“Bloomingdale’s”) (collectively the “Macy’s Companies”), and Department Stores National Bank, a national banking association, as assignee of Citibank, N.A. (“Bank”).

WHEREAS, the Macy’s Companies and Bank are parties to a certain Credit Card Program Agreement dated as of June 1, 2005, as amended pursuant to amendments effective October 24, 2005, May 19, 2006 and a restated amendment effective February 3, 2008, respectively, and as further amended by restated letter agreements effective December 18, 2006, March 22, 2007, April 6, 2007 and June 1, 2007, respectively (as so amended, the “Program Agreement”), whereby Bank and the Macy’s Companies operate a credit card program (the “Program”), as more fully described in the Program Agreement;

WHEREAS, the parties hereto desire to amend the Program Agreement in accordance with Section 18.5 of the Program Agreement, effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Fourth Amendment have the meanings assigned to them in the Program Agreement.

2. Amendment of Section 1.1.

(a) Section 1.1 of the Program Agreement is hereby amended by deleting in its entirety the term (and the related definition for) “FDS Marketing Commitment”.

(b) Section 1.1 of the Program Agreement is hereby amended by deleting in its entirety the term “Net Credit Sales” and substituting in its place the following new definition:

“Net Credit Sales” means, for any Fiscal Year, Fiscal Month or Business Day, an amount equal to (i) gross credit sales on Accounts (including gift card sales, sales tax, delivery charges, Licensee sales and any other amount included in the full amount charged by Cardholders) during such Fiscal Year, Fiscal Month or Business Day, minus (ii) the sum of credits for returned goods and cancelled services and other credits granted at the point of sale (such as concessions, discounts and adjustments) on Accounts during such Fiscal Year, Fiscal Month or Business Day.”

(c) Section 1.1 of the Program Agreement is hereby amended by deleting in its entirety the term (and the related definition for) “FDS Revenue Share” and substituting in its place the following new definition:

“FDS Revenue Share” means the sum of the Net Credit Sale Share and Additional Net Credit Sale Share payments (as set forth on Schedule 9.3(a)(i)) plus the New Account Payments (as set forth on Schedule 9.3(a)).”

3. Amendment of Schedule 1.1(i).

Schedule 1.1(i) of the Program Agreement is hereby amended by deleting it in its entirety the form of Program P&L contained in such Schedule and replacing it with the new form of Program P&L, attached hereto.

4. Amendment of Schedule 1.1(l).

Schedule 1.1(l) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 1.1(l), attached hereto.

5. Amendment of Section 3.2(d).

Section 3.2(d) is hereby amended by adding to the end thereof the following new subsection 3.2(d)(xv):

“(xv) determine, on an annual basis as part of approving the Budget and Business Plan, the amount of the Additional Net Credit Sale Share payable pursuant to Schedule 9.3(a)(i).

6. Amendment of Schedule 3.2(f).

Schedule 3.2(f) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 3.2(f), attached hereto.

7. Amendment of Section 5.2.

Section 5.2 is hereby amended:

- (a) by deleting in their entirety subsections 5.2(a) and 5.2(b); and
- (b) by deleting in its entirety subsection 5.2(d) and replacing it with the new Section 5.2(d) as follows:

“(d) Any proposed expenditure in excess of the Additional Marketing Commitment for any Fiscal Year shall require the prior approval of the Operating Committee (which at the time of granting any such approval shall approve the treatment of such excess expenditures).”
- (c) by deleting in its entirety subsection 5.2(e) and replacing it with the new Section 5.2(e) as follows:

“(e) For the avoidance of doubt, except as otherwise expressly provided in Section 5.4, the Additional Marketing Commitment shall not be used to fund the activities described in Section 5.4 or any other marketing initiatives approved by the Operating Committee pursuant to a Marketing Plan that allocates such costs to Bank.”

8. Amendment of Schedule 9.2(a).

Schedule 9.2(a) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 9.2(a), attached hereto.

9. Amendment of Schedule 9.3(a).

Schedule 9.3(a) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 9.3(a), attached hereto.

10. Amendment of Schedule 9.3(a)(i).

Schedule 9.3(a)(i) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 9.3(a)(i), attached hereto.

11. Capacity; Authorization; Validity.

(a) Macy's, Inc. hereby represents and warrants to Bank as of the date hereof that:

(i) Each Macy's Company has all necessary corporate or similar power and authority to (A) execute and enter into this Fourth Amendment and (B) perform the obligations required of such Macy's Company hereunder and the other documents, instruments and agreements to be executed and delivered by such Macy's Company pursuant hereto.

(ii) The execution and delivery by the Macy's Companies of this Fourth Amendment and all documents, instruments and agreements executed and delivered by the Macy's Companies pursuant hereto, and the consummation by the Macy's Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the Macy's Companies.

(iii) This Fourth Amendment (A) has been duly executed and delivered by the Macy's Companies, (B) constitutes the valid and legally binding obligation of the Macy's Companies, and (C) is enforceable against the Macy's Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the Macy's Companies as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Fourth Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Fourth Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Fourth Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

12. Effect of Amendment. This Fourth Amendment is effective as of the Effective Date and is hereby incorporated into and made a part of the Program Agreement. Except as amended by this Fourth Amendment, all terms and provisions of the Program Agreement shall continue and remain in full force and effect and binding upon the Parties thereto.

13. Binding Effect. This Fourth Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

14. Governing Law. This Fourth Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

15. Counterparts/Facsimiles. This Fourth Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Fourth Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Signatures appear on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Fourth Amendment to be duly executed as of the date first above written.

DEPARTMENT STORES NATIONAL BANK,

By: /s/ Douglas C. Morrison

Name: Douglas C. Morrison

Title: CitiCards Vice President and Chief Financial Officer, Sioux Falls, SD

MACY'S, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel and Secretary

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: President

MACY'S CREDIT AND CUSTOMER SERVICES, INC.

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: Senior Vice President and CFO

MACY'S DEPARTMENT STORES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

BLOOMINGDALES, INC.

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: President

SCHEDULE 1.1(i)

[illegible]

SCHEDULE 1.1(l)
Marketing Commitment

Additional Marketing Commitment:

- For the period from the Effective Date through the end of Fiscal Year 2005, (FDS Accounts only) - [redacted]
- For Fiscal Year 2006:
[redacted]
- For Fiscal Year 2007 and thereafter:
[redacted]

SCHEDULE 3.2(f)
FDS Matters

[redacted]

SCHEDULE 9.2(a)
Monthly Settlement Sheet

The following items will be included in the Monthly Settlement Sheet (in a form agreed upon by the Parties from time to time):

- the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period;
- [redacted];
- [redacted]; and
- all other information required to determine the payments to be made by the Parties pursuant to this Agreement in respect of such Fiscal Month.

SCHEDULE 9.3(a)
FDS Compensation
(for each Fiscal Month)

(a) Monthly Net Credit Sale Share. [redacted]

Double Net Credit Sale Share and Additional Double Net Credit Sales Share [redacted]

(b) New Account Payments. The sum of:
[redacted]

(c) FDS Profit Share. [redacted]

(d) Marketing Reimbursement. [redacted].

(e) In-Store Payment Reimbursement. An amount equal to [redacted] (which amount shall increase by CPI on each anniversary of the Effective Date, with the increased amount remaining in effect until the following anniversary) per In-Store Payment received by any of the FDS Companies in the prior Fiscal Month.

(f) Account Application SPIF Reimbursement. [redacted]

(g) FDS Services. [redacted]

(h) Value Proposition Payments. [redacted]

(i) Card Association Arrangements. [redacted]

SCHEDULE 9.3(a)(i)
FDS Compensation
(for each Business Day)

Net Credit Sale Share

An amount equal to the sum of:

- (i.) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an amount equal to [redacted]; and
- (ii.) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an additional amount equal to [redacted].

Additional Net Credit Sale Share and Additional Double Net Credit Sale Share

An amount determined by the Operating Committee pursuant to Section 3.2(d)(xv), and expressed as [redacted]

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

FIFTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT

This FIFTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT (“Fifth Amendment”) is effective as of January 1, 2009 (the “Effective Date”), by and among Macy’s, Inc., f/k/a Federated Department Stores, Inc., a Delaware corporation, (“Macy’s, Inc.”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), Macy’s Credit and Customer Services, Inc., f/k/a FACS Group, Inc., an Ohio corporation (“MCCS”), Macy’s Department Stores, Inc., an Ohio corporation (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation (“Bloomingdale’s”) (collectively the “Macy’s Companies”), and Department Stores National Bank, a national banking association, as assignee of Citibank, N.A. (“Bank”).

WHEREAS, the Macy’s Companies and Bank are parties to a certain Credit Card Program Agreement dated as of June 1, 2005, as amended pursuant to amendments effective October 24, 2005, May 19, 2006 and a restated amendment effective February 3, 2008, respectively, and as further amended by restated letter agreements effective December 18, 2006, March 22, 2007, April 6, 2007 and June 1, 2007, respectively (as so amended, the “Program Agreement”), whereby Bank and the Macy’s Companies operate a credit card program (the “Program”), as more fully described in the Program Agreement; and

WHEREAS, the parties hereto desire to amend the Program Agreement in accordance with Section 18.5 of the Program Agreement, effective as of the Effective Date; and

WHEREAS the Parties agree that it is in the interest of the Program to align certain Private Label Account incentives payable to the Macy’s Companies only with the generation of activated new Private Label Accounts and not with both activated new Private Label Accounts and Private Label Account applications.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Fifth Amendment have the meanings assigned to them in the Program Agreement.

2. Amendment of Schedule 9.3(a). The Parties agree to align certain Private Label Account incentives payable to the Macy’s Companies only with the generation of activated new Private Label Accounts and not with both activated new Private Label Accounts and Private Label Account applications, thereby enhancing overall Program performance, while intending that such realignment not negatively impact the total amount of such Private Label Account incentives payable to the Macy’s Companies. In furtherance of such intent, at the conclusion of each Program Year, the Operating Committee shall review the dollar amounts set forth in Schedules 9.3(a) (b) (i) and (ii) to uphold such intent after determining if any such negative impact has occurred. In furtherance thereof, Schedule 9.3(a) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the revised Schedule 9.3(a) attached hereto.

3. Capacity; Authorization; Validity.

(a) Macy's, Inc. hereby represents and warrants to Bank as of the date hereof that:

(i) Each Macy's Company has all necessary corporate or similar power and authority to (A) execute and enter into this Fifth Amendment and (B) perform the obligations required of such Macy's Company hereunder and the other documents, instruments and agreements to be executed and delivered by such Macy's Company pursuant hereto.

(ii) The execution and delivery by the Macy's Companies of this Fifth Amendment and all documents, instruments and agreements executed and delivered by the Macy's Companies pursuant hereto, and the consummation by the Macy's Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the Macy's Companies.

(iii) This Fifth Amendment (A) has been duly executed and delivered by the Macy's Companies, (B) constitutes the valid and legally binding obligation of the Macy's Companies, and (C) is enforceable against the Macy's Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the Macy's Companies as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Fifth Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Fifth Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Fifth Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

4. Effect of Amendment. This Fifth Amendment is effective as of the Effective Date and is hereby incorporated into and made a part of the Program Agreement. Except as amended by this Fifth Amendment, all terms and provisions of the Program Agreement shall continue and remain in full force and effect and binding upon the Parties thereto.

5. Binding Effect. This Fifth Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

6. Governing Law. This Fifth Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

7. Counterparts/Facsimiles. This Fifth Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Fifth Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Signatures appear on following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Fifth Amendment to be duly executed as of the date first above written.

DEPARTMENT STORES NATIONAL BANK,

By: /s/ Douglas C. Morrison

Name: Douglas C. Morrison

Title: Vice President and Chief Financial Officer,
Sioux Falls, SD

MACY'S, INC.

By: /s/ Brian Szames

Name: Brian Szames

Title: Treasurer

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: President

MACY'S CREDIT AND CUSTOMER
SERVICES, INC.

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: Senior Vice President and CFO

MACY'S DEPARTMENT STORES, INC.

By: /s/ Brian Szames

Name: Brian Szames

Title: Vice President and Treasurer

BLOOMINGDALES, INC.

By: /s/ Brian Szames

Name: Brian Szames

Title: Vice President

SCHEDULE 9.3(a)

**FDS Compensation
(for each Fiscal Month)**

(a) Monthly Net Credit Sale Share. [redacted]

Double Net Credit Sale Share and Additional Double Net Credit Sales Share [redacted].

(b) New Account Payments. The sum of:
[redacted]

(c) [redacted]

(d) Marketing Reimbursement. [redacted]

(e) In-Store Payment Reimbursement. An amount equal to [redacted] (which amount shall increase by CPI on each anniversary of the Effective Date, with the increased amount remaining in effect until the following anniversary) per In-Store Payment received by any of the FDS Companies in the prior Fiscal Month.

(f) FDS Services. [redacted]

(g) Value Proposition Payments. The amount payable to FDS pursuant to section IV of Schedule 4.8(a) (Funding for Loyalty Programs) for the prior Fiscal Month.

(h) Card Association Arrangements. [redacted]

Confidential Treatment Requested. Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as “[Redacted].” A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

SIXTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT

This SIXTH AMENDMENT TO CREDIT CARD PROGRAM AGREEMENT (this “Sixth Amendment”) is effective as of June 1, 2009 (the “Effective Date”), by and among Macy’s, Inc., f/k/a Federated Department Stores, Inc., a Delaware corporation, (“Macy’s, Inc.”), FDS Bank, a federally-chartered stock savings bank (“FDS Bank”), Macy’s Credit and Customer Services, Inc., f/k/a FACS Group, Inc., an Ohio corporation (“MCCS”), Macy’s Department Stores, Inc., an Ohio corporation (“Macy’s”), Bloomingdale’s, Inc., an Ohio corporation (“Bloomingdale’s”) (collectively the “Macy’s Companies”), and Department Stores National Bank, a national banking association, as assignee of Citibank, N.A. (“Bank”).

WHEREAS, the Macy’s Companies and Bank are parties to a certain Credit Card Program Agreement dated as of June 1, 2005, as amended pursuant to amendments effective October 24, 2005 and May 19, 2006, pursuant to restated letter agreements effective December 18, 2006, March 22, 2007, April 6, 2007 and June 1, 2007, pursuant to a restated amendment effective February 3, 2008, and pursuant to an amendment (the “Fifth Amendment”) effective January 1, 2009, respectively (as so amended, the “Program Agreement”), whereby Bank and the Macy’s Companies operate a credit card program (the “Program”), as more fully described in the Program Agreement;

WHEREAS, the parties hereto desire to amend the Program Agreement in accordance with Section 18.5 of the Program Agreement, effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used without definition in this Sixth Amendment have the meanings assigned to them in the Program Agreement.

2. [redacted]

3. [redacted]

4. Amendment of Schedule 1.1(i).

Schedule 1.1(i) of the Program Agreement is hereby amended by deleting the form of Program P&L contained in such Schedule and replacing it with the new form of Program P&L, attached hereto.

5. Amendment of Schedule 4.8(a).

Schedule 4.8(a) of the Program Agreement is hereby amended by deleting therefrom in its entirety Section IV. "Funding for Loyalty Programs."

6. Amendment of Schedule 9.2(c).

Schedule 9.2(c) of the Program Agreement is hereby amended by deleting it in its entirety and replacing it with the new Schedule 9.2(c), attached hereto.

7. Amendment of Schedules 9.3(a) and 9.3(a)(i).

[redacted]

8. Capacity; Authorization; Validity.

(a) Macy's, Inc. hereby represents and warrants to Bank as of the date hereof that:

(i) Each Macy's Company has all necessary corporate or similar power and authority to (A) execute and enter into this Sixth Amendment and (B) perform the obligations required of such Macy's Company hereunder and the other documents, instruments and agreements to be executed and delivered by such Macy's Company pursuant hereto.

(ii) The execution and delivery by the Macy's Companies of this Sixth Amendment and all documents, instruments and agreements executed and delivered by the Macy's Companies pursuant hereto, and the consummation by the Macy's Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate or similar actions of the Macy's Companies.

(iii) This Sixth Amendment (A) has been duly executed and delivered by the Macy's Companies, (B) constitutes the valid and legally binding obligation of the Macy's Companies, and (C) is enforceable against the Macy's Companies in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(b) Bank hereby represents and warrants to the Macy's Companies as of the date hereof:

(i) Bank has all necessary corporate or similar power and authority to (A) execute and enter into this Sixth Amendment and (B) perform the obligations required of it hereunder and the other documents, instruments and agreements to be executed and delivered by Bank pursuant hereto.

(ii) The execution and delivery by Bank of this Sixth Amendment and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank.

(iii) This Sixth Amendment (A) has been duly executed and delivered by Bank, (B) constitutes the valid and legally binding obligation of Bank and (C) is enforceable against Bank in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

9. Effect of Amendment. This Sixth Amendment is effective as of the Effective Date and is hereby incorporated into and made a part of the Program Agreement. Except as amended by this Sixth Amendment, all terms and provisions of the Program Agreement shall continue and remain in full force and effect and binding upon the parties thereto.

10. Binding Effect. This Sixth Amendment shall be binding in all respects and inure to the benefit of the successors and permitted assigns of the parties hereto.

11. Governing Law. This Sixth Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

12. Counterparts/Facsimiles. This Sixth Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Sixth Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

[Signatures appear on following page]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Sixth Amendment to be duly executed as of the date first above written.

DEPARTMENT STORES NATIONAL BANK,

By: /s/ Douglas C. Morrison

Name: Douglas C. Morrison

Title: Vice President & CFO

MACY'S, INC.

By: /s/ Brian M. Szames

Name: Brian M. Szames

Title: Treasurer

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: President

MACY'S CREDIT AND CUSTOMER SERVICE,
INC.

By: /s/ Teresa Huxel

Name: Teresa Huxel

Title: SVP

MACY'S DEPARTMENT STORES, INC.

By: /s/ Brian M. Szames

Name: Brian M. Szames

Title: VP & Treasurer

BLOOMINGDALES, INC.

By: /s/ Brian M. Szames

Name: Brian M. Szames

Title: VP & Treasurer

[illegible]

SCHEDULE 9.2(c)
Year-End Settlement Sheet

The following items will be included in the Year-End Settlement Sheet (in a form agreed upon by the Parties from time to time):

- the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period;
- [redacted]; and
- all other information required to determine the payments to be made by the Parties pursuant to this Agreement in respect of the last Fiscal Month or the last Fiscal Quarter, as the case may be, of such Fiscal Year and any annual payments to be made in respect of such Fiscal Year.

SCHEDULE 9.3(a)
FDS Compensation
(for each Fiscal Month)

(a) Monthly Net Credit Sale Share. [redacted].

Double Net Credit Sale Share and Additional Double Net Credit Sales Share [redacted]

(b) New Account Payments. The sum of:
[redacted]

(c) [redacted]

(d) Marketing Reimbursement. [redacted]

(e) In-Store Payment Reimbursement. An amount equal to [redacted] (which amount shall increase by CPI on each anniversary of the Effective Date, with the increased amount remaining in effect until the following anniversary) per In-Store Payment received by any of the FDS Companies in the prior Fiscal Month.

(f) FDS Services. [redacted]

(g) Card Association Arrangements. [redacted]

SCHEDULE 9.3(a)(i)
FDS Compensation
(for each Business Day)

Net Credit Sale Share

An amount equal to the sum of:

- (i.) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an amount equal to [redacted]; and
- (ii.) with respect to the prior Business Day and each day between the prior Business Day and the date of each payment, an additional amount equal to [redacted]

Additional Net Credit Sale Share and Additional Double Net Credit Sale Share

An amount determined by the Operating Committee pursuant to Section 3.2(d)(xv) and expressed as a [redacted]
[redacted]

CERTIFICATION

I, Terry J. Lundgren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macy's, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

-
- d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 8, 2009

/s/ Terry J. Lundgren

Terry J. Lundgren
Chief Executive Officer

CERTIFICATION

I, Karen M. Hoguet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macy's, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

-
- d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 8, 2009

/s/ Karen M. Hoguet

Karen M. Hoguet

Chief Financial Officer

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Macy's, Inc. (the "Company") for the fiscal quarter ended August 1, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to his knowledge:

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

Dated: September 8, 2009

/s/ Terry J. Lundgren

Name: Terry J. Lundgren

Title: Chief Executive Officer

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Macy's, Inc. (the "Company") for the fiscal quarter ended August 1, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to her knowledge:

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

Dated: September 8, 2009

/s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Chief Financial Officer