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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K



**Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934**

For the Fiscal Year Ended
January 30, 1993

Commission File Number
1-10951

Federated Department Stores, Inc.

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

Incorporated in Delaware

APR 23 1993
L.R.S. No. 3
PROCESSED BY
DISCLOSURE
INCORPORATED
LHM

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

| <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|--|--|
| Common Stock, par value \$.01 per share | New York Stock Exchange |
| Rights to Purchase Series A Junior Participating Preferred Stock | New York Stock Exchange |
| Senior Convertible Discount Notes Due February 15, 2004 | New York Stock Exchange |

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

None

Registrant has filed all reports required to be filed by Section 12, 13, or 15(d) of the Act, including subsequent to the distribution of securities under its plan of reorganization, during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

There were 126,099,287 shares of the Company's Common Stock outstanding as of April 9, 1993. The aggregate market value of the shares of such Common Stock held by nonaffiliates of the Company, based upon the last sale price as reported on the New York Stock Exchange Composite Tape on April 8, 1993, was approximately \$2,517,700,000.

Documents Incorporated by Reference

Portions of the definitive proxy statement relating to Registrant's Annual Meeting of Shareholders to be held on May 21, 1993 (the "Proxy Statement"), are incorporated by reference in Part III hereof.

Unless the context otherwise requires, (i) references herein to the "Company" include Federated Department Stores, Inc. and its subsidiaries and (ii) references to "1992," "1991," and "1990" are references to the Company's fiscal years ended January 30, 1993, February 1, 1992, and February 2, 1991, respectively.

PART I

Item 1. Business

General. The Company is one of the leading operators of full-line department stores in the United States, with 217 stores in 27 states as of January 30, 1993. The Company's stores sell a wide range of merchandise, including men's, women's, and children's apparel and accessories, cosmetics, home furnishings, and other consumer goods, and are diversified by size of store, merchandising character, and character of community served. The stores are located at urban or suburban sites, principally in densely populated areas in the eastern, midwestern, northeastern, northwestern, and southeastern regions of the United States.

The Company conducts its business through the following seven retail operating divisions: Abraham & Straus/Jordan Marsh, Bloomingdale's, The Bon Marché, Burdines, Lazarus, Rich's/Goldsmith's, and Stern's. The following table sets forth certain information with respect to the Company's retail operating divisions:

| | <u>Year Founded</u> | <u>Principal Geographic Region</u> | <u>Number of Stores (a)</u> | <u>1992 Sales (millions)</u> | <u>Gross Square Feet (thousands)</u> |
|----------------------------------|---------------------|------------------------------------|-----------------------------|------------------------------|--------------------------------------|
| Abraham & Straus/Jordan Marsh .. | 1851 | Northeast | 35 | 1,416.0 | 9,395 |
| Bloomingdale's | 1872 | East | 15 | 1,201.7(b) | 4,145 |
| The Bon Marché | 1890 | Northwest | 39 | 783.4 | 4,656 |
| Burdines | 1898 | Florida | 43 | 1,182.5 | 7,053 |
| Lazarus | 1830 | Midwest | 39 | 957.4 | 7,504 |
| Rich's/Goldsmith's | 1867 | Southeast | 24 | 884.4 | 4,679 |
| Stern's | 1867 | Northeast | 22 | 654.5 | 3,887 |
| | | | <u>217</u> | <u>7,079.9</u> | <u>41,319</u> |

- (a) As of January 30, 1993, excluding three stores (one Bloomingdale's store and two Burdines stores) which remain closed due to Hurricane Andrew.
- (b) Includes \$93.0 million of sales of the Company's Bloomingdale's By Mail subsidiary.
- (c) Includes total square footage of store locations, including office, storage, service, and other support space that is not dedicated to direct merchandise sales, but excludes warehouses and distribution terminals not located at store sites. Excludes gross square feet of stores which remain closed due to Hurricane Andrew.

Each of the Company's retail operating divisions is a separate subsidiary of the Company, except that the Abraham & Straus/Jordan Marsh division comprises two separate subsidiaries of the Company.

The Company provides credit, electronic data processing, and other support functions to its retail operating divisions on an integrated, Company-wide basis. The Company's financial and credit services division ("FACS"), which is based near Cincinnati, Ohio, establishes and monitors credit policies on a Company-wide basis, and provides proprietary credit services (including statement processing and mailing, credit authorizations, new account development and processing, customer service, and collections) to each of the Company's retail operating divisions. The Company's data processing division ("SABRE"), which is based near Atlanta, Georgia, provides operational electronic data processing and management information services to each of the Company's retail operating divisions. In addition, a specialized staff maintained in the Company's corporate offices in Cincinnati, Ohio, provides services for all divisions in such areas as store design and construction, real estate, insurance, supply purchasing, and transportation, as well as various other corporate office functions. FACS, SABRE, a specialized service subsidiary and certain departments in the Company's corporate offices offer their services to unrelated third parties as well. In March 1993, the

Company announced its plans to centralize in Cincinnati all accounting and accounts payable functions for its retail operating divisions beginning in the second quarter of 1993, as well as plans to restructure the management organization of its distribution functions in the Northeast, effective May 1, 1993. Federated Merchandising, a division of the Company based in New York City, coordinates the team buying process which centrally develops and executes consistent Company-wide merchandise strategies while retaining the ability to tailor merchandise assortments and strategies to the particular character and customer base of the Company's various department store franchises. In addition, Federated Merchandising is responsible for private label development for all of the Company's retail operating divisions other than Bloomingdale's (which has its own private label program).

The Company and its predecessors have been operating department stores since 1830. The Company was organized as a Delaware corporation in 1929. On February 4, 1992, Allied Stores Corporation ("Allied") was merged into the Company. Both Allied and the Company were among the leading independent retailers in the United States prior to being acquired by Campeau Corporation ("Campeau") in 1986 and 1988, respectively, in highly leveraged transactions. During the course of 1989, it became apparent that the indebtedness of Allied and the Company could not be supported by operations and, on January 15, 1990, the Company, Allied, and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies") commenced proceedings under chapter 11 of the Bankruptcy Code (the "Reorganization Proceedings") to reorganize and restructure their acquisition debt and other liabilities.

The Federated/Allied Companies emerged from bankruptcy pursuant to a plan of reorganization (the "POR") on February 4, 1992 (the "POR Effective Date"). Pursuant to the POR, among other transactions, (i) the liabilities of the Federated/Allied Companies were reduced by a net amount of approximately \$5,000.0 million; (ii) the Company distributed to prepetition creditors or reinstated approximately \$3,900.0 million aggregate principal amount of debt securities and other debt, approximately \$398.8 million in cash, and approximately 79.2 million shares of Common Stock, par value \$.01 per share (the "Common Stock"), of the Company; (iii) Allied was merged into the Company; and (iv) a new Board of Directors of the Company was elected. As a result of the POR, Campeau (now known as Camdev Corporation) no longer has any direct or indirect equity interest in the Company. For additional information regarding the Reorganization Proceedings, see Item 3 "Legal Proceedings."

The Company's executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, and its telephone number is (513) 579-7000.

Employees. As of January 30, 1993, the Company had approximately 73,000 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees rises to a peak in the Christmas season. Approximately 10% of the Company's employees as of January 30, 1993 were represented by unions. Management considers its relations with employees to be satisfactory.

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

Purchasing. The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company's net purchases during 1992. The Company has no long-term purchase commitments or arrangements with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Competition. The retailing industry, in general, and the department store business, in particular, are intensely competitive. Generally, the Company's stores are in competition not only with other department stores in the geographic areas in which they operate but also with numerous other types of retail outlets, including specialty stores, general merchandise stores, and off-price and discount stores.

Item 1A. Executive Officers of the Registrant

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

| <u>Name</u> | <u>Age</u> | <u>Position with the Company</u> |
|---------------------|------------|--|
| Allen I. Questrom | 53 | Chairman of the Board and Chief Executive Officer, Director |
| James M. Zimmerman | 49 | President and Chief Operating Officer, Director |
| Ronald W. Tysoc | 40 | Vice Chairman of the Board and Chief Financial Officer, Director |
| Thomas G. Cody | 51 | Executive Vice President |
| Dennis J. Broderick | 44 | Senior Vice President and General Counsel |
| John E. Brown | 53 | Senior Vice President and Controller |
| Karen M. Hoguet | 36 | Senior Vice President — Planning and Treasurer |

Allen I. Questrom has been Chairman of the Board and Chief Executive Officer of the Company since February 1990; prior thereto, he was President and Chief Executive Officer of the Neiman-Marcus division of the Neiman-Marcus Group, Inc. from September 1988 to February 1990 and Vice Chairman of the Board of the Company from January 1988 to July 1988.

James M. Zimmerman has been President and Chief Operating Officer of the Company since May 1988.

Ronald W. Tysoc has been Vice Chairman and Chief Financial Officer of the Company since April 1990; prior thereto, he was President and Treasurer of Federated Stores, Inc. ("FSI") (formerly Campeau Corporation (U.S.), Inc., Campeau's former United States holding company for the Company and Allied) from 1987 to 1992 and Chief Financial Officer of FSI from April 1990 to February 1992, President of Campeau from April 1989 to January 1990, and Executive Vice President Corporate Development of Campeau from June 1988 to April 1989.

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

Dennis J. Broderick has been Senior Vice President and General Counsel of the Company since January 1990; prior thereto, he served as General Counsel of the Company since May 1988 and Vice President of the Company since February 1988.

John E. Brown has been Senior Vice President of the Company since September 1988 and Controller of the Company since January 1992.

Karen M. Hoguet has been Senior Vice President — Planning of the Company since April 1991 and Treasurer of the Company since January 1992; prior thereto, she served as Vice President of the Company since December 1988.

Item 2. Properties

The properties of the Company consist primarily of stores and related retail facilities, including warehouses and distribution centers. The Company also owns or leases other properties, including its corporate headquarters and other facilities at which centralized operational support functions are conducted. As of January 30, 1993, the Company operated 217 stores, of which 101 stores were entirely or mostly owned and 116 stores were entirely or mostly leased. See Item 1 "Business — General." In connection with various shopping center agreements, the Company is obligated to operate certain stores within the centers for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name. See Note 9 to the Consolidated Financial Statements. Substantially all of the Company's owned and leased real estate is subject to security interests in favor of certain creditors of the Company. See Note 11 to the Consolidated Financial Statements.

The number of stores, and total gross square feet (in thousands) of store space, operated by the Company as of the end of each of the Company's last two fiscal years (except where indicated otherwise) were as follows:

| <u>Operating Division</u> | <u>January 30, 1993</u> | | <u>February 1, 1992</u> | |
|-------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | <u>Number of Stores</u> | <u>Gross Square Feet</u> | <u>Number of Stores</u> | <u>Gross Square Feet</u> |
| Abraham & Straus/Jordan Marsh | 35 | 9,395 | 35 | 9,743 |
| Bloomingdale's | 15(a) | 4,145(a) | 15 | 4,149 |
| The Bon Marché | 39 | 4,656 | 39 | 4,638 |
| Burdines..... | 43(b) | 7,053(b) | 46(c) | 7,433(c) |
| Lazarus | 39 | 7,504 | 40 | 7,635 |
| Rich's/Goldschmidt's..... | 24 | 4,679 | 23 | 4,578 |
| Stern's | <u>22</u> | <u>3,887</u> | <u>22(d)</u> | <u>3,834(d)</u> |
| | <u>217</u> | <u>41,319</u> | <u>220</u> | <u>42,010</u> |

- (a) Excludes one store which remains closed due to Hurricane Andrew.
- (b) Excludes two stores which remain closed due to Hurricane Andrew.
- (c) Excludes one store, the closing of which was announced February 2, 1992.
- (d) Excludes two stores, the closing of which was announced February 2, 1992.

Item 3. Legal Proceedings

The POR was confirmed by the United States Bankruptcy Court for the Southern District of Ohio, Western Division (the "Bankruptcy Court"), in Consolidated Case No. 1-90-00130 on January 10, 1992 and became effective on the POR Effective Date. Notwithstanding the confirmation and effectiveness of the POR, the Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the POR, and to resolve other matters that may arise in connection with or relate to the POR. Except as described below, provision was made under the POR in respect of all prepetition liabilities of the Federated/Allied Companies.

Pursuant to the POR, and based on the Company's estimate of the amount of such claims that ultimately will be allowed by the Bankruptcy Court, the Company has provided for the payment of approximately \$285.0 million in respect of certain classes of claims against certain subsidiaries of the Company. Approximately \$183.5 million of this amount was funded by cash that was deposited in trust as of the POR Effective Date for the payment of settled claims ("cash portion"), while the remaining \$101.5 million is reflected as "subsidiary trade obligations" on the Company's Consolidated Balance Sheets ("deferred portion"). See Note 11 to the Consolidated Financial Statements. As of January 30, 1993, the Company had disbursed approximately \$127.2 million of the cash portion and had committed approximately \$70.4 million of the deferred portion to creditors, with the remaining amounts of the cash and deferred portions continuing to be available for settlement of disputed claims. The total face amount of such claims which were still being disputed by the Company as of January 30, 1993 was approximately \$189.3 million. In the event that the provisions applicable to the disputed claims prove to be inadequate, the holders of such disputed claims that ultimately are allowed by the Bankruptcy Court would have recourse to certain subsidiaries of the Company and, with respect to a portion of the consideration provided for such claims in the POR, to the Company. However, while there can be no assurance that the actual amounts of such disputed claims that are ultimately allowed by the Bankruptcy Court will not exceed the estimated amounts thereof, management does not expect that any variance between such actual and estimated amounts will have a material adverse effect on the Company's financial position.

In connection with the Reorganization Proceedings and the reorganization proceedings of FSI, the Internal Revenue Service (the "IRS") audited the tax returns of FSI and the Federated/Allied Companies

for tax years 1984 through 1989 and asserted certain claims against the Federated/Allied Companies and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS in the Reorganization Proceedings except for two issues involving the use by the Federated/Allied Companies of an aggregate of \$27.0 million of net operating and capital loss carryforwards of an acquired company and the deductibility of approximately \$176.3 million of so-called "break-up fees." These issues were litigated before the Bankruptcy Court and resolved in favor of the Federated/Allied Companies; however, on January 21, 1992, the IRS filed a notice of appeal of the Bankruptcy Court's determination of these issues to the United States District Court for the Southern District of Ohio, where such appeal is currently pending. Management does not expect that the resolution of these issues will have a material adverse effect on the Company's financial position, although there can be no assurance with respect thereto.

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

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

None.

PART II

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

The Common Stock is listed on the New York Stock Exchange (the "NYSE") under the trading symbol "FD." In connection with the issuance of shares of Common Stock pursuant to the POR, trading of the Common Stock commenced on the NYSE on February 5, 1992.

The following table sets forth for each fiscal quarter during 1992 the high and low sales prices per share of Common Stock as reported on the NYSE Composite Tape:

| | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| 1st Quarter (commencing February 5) | \$18.250 | \$11.250 |
| 2nd Quarter | 14.125 | 11.375 |
| 3rd Quarter | 17.250 | 12.500 |
| 4th Quarter | 21.500 | 16.375 |

Approximately 75% of the approximately 79.2 million shares of Common Stock initially issued pursuant to the POR were subject to substantial restrictions on disposition. All such restrictions on transfer were terminated between November 17, 1992 and April 5, 1993.

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

Item 6. Selected Financial Data

| (thousands, except per share data) | Fiscal Year Ended January 30, 1993 | Fiscal Year Ended February 1, 1992 | The Company Fiscal Year Ended February 2, 1991 | Fiscal Year Ended February 3, 1990 | Nine Months Ended January 28, 1989 (unaudited) | The Predecessor(a) 13 Weeks Ended April 30, 1988 |
|---|---|---|---|---|---|---|
| Consolidated Statements of Operations Data: | | | | | | |
| Net sales, including leased department sales..... | \$ 7,079,941 | \$ 6,932,323 | \$ 7,141,983 | \$ 7,577,586 | \$ 5,867,002 | \$ 2,449,096 |
| Cost of sales..... | 4,229,396 | 4,202,223 | 4,394,976 | 4,649,656 | 3,587,259 | 1,522,860 |
| Selling, general and administrative expenses..... | 2,420,684 | 2,463,128 | 2,611,834 | 2,678,482 | 1,954,597 | 859,876 |
| Operating income..... | 429,861 | 266,972 | 135,173 | 249,448 | 325,146 | 66,360 |
| Interest expense (b)..... | 258,211 | 504,257 | 639,527 | 914,557 | 620,716 | 30,853 |
| Interest income..... | (60,357) | (67,260) | (83,585) | (107,892) | (65,207) | (766) |
| Unusual items..... | — | — | — | 1,067,817(c) | 10,000(d) | 315,680(e) |
| Income (loss) before reorganization items, income taxes, extraordinary items, and cumulative effect of change in accounting principle | 232,007 | (170,025) | (420,769) | (1,625,034) | (240,363) | (279,407) |
| Reorganization items..... | — | (1,679,936) | (127,032) | (142,110) | — | — |
| Federal, state, and local income tax (expense) benefit..... | (99,299) | 613,989 | 276,355 | (6,783) | 15,522 | 113,827 |
| Extraordinary items..... | (19,699) | 2,165,515 | — | — | — | — |
| Cumulative effect of change in accounting principle..... | — | (93,151) | — | — | — | — |
| Net income (loss) (f)..... | \$ 113,009 | \$ 836,392 | \$ (271,446) | \$ (1,773,927) | \$ (224,841) | \$ (165,580) |
| Earnings per Share of Common Stock (g): | | | | | | |
| Income before extraordinary items.. | \$ 1.19 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Net income | 1.01 | — | — | — | — | — |
| Average number of shares outstanding (g)..... | 111,350 | — | — | — | — | — |
| Depreciation and amortization | \$ 230,124 | \$ 260,884 | \$ 278,227 | \$ 317,575 | \$ 244,892 | \$ 69,717 |
| Capital expenditures..... | \$ 198,505 | \$ 201,631 | \$ 93,143 | \$ 177,792 | \$ 200,902 | \$ 61,221 |
| Balance Sheet Data (at year end) (h): | | | | | | |
| Cash..... | \$ 566,984 | \$ 1,002,482 | \$ 453,560 | \$ 446,195 | \$ 119,482 | \$ 167,760 |
| Working capital | 2,227,336 | 1,923,812 | 1,957,037 | 2,653,693 | 258,978 | 1,093,058 |
| Total assets | 7,019,770 | 7,501,145 | 9,150,056 | 9,592,231 | 11,259,169 | 6,098,874 |
| Short-term debt | 12,944 | 771,605 | 309,268 | 176,216 | 1,891,366 | 611,080 |
| Liabilities subject to settlement under reorganization proceedings | — | — | 6,475,129 | 6,729,168 | — | — |
| Long-term debt (including preferred shares) | 2,809,757 | 3,176,687 | 1,361,778 | 1,561,778 | 5,152,898 | 940,662 |
| Shareholders' equity (deficit) | 2,074,980 | 1,454,132 | (1,398,528) | (1,127,082) | 1,130,940 | 2,473,999 |

(See Notes on following page)

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- (a) For purposes of this table, the "Predecessor" refers to Federated Department Stores, Inc. prior to its acquisition by Campeau and does not include Allied. See Note 1 to the Consolidated Financial Statements.
 - (b) Excludes interest on unsecured prepetition indebtedness of \$301,576, \$290,979, and \$11,300, respectively, for 1991, 1990, and 1989. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."
 - (c) Consists primarily of a write-down of the excess of cost over the value of assets acquired.
 - (d) Consists of an adjustment to the gain on sale of Allied's Brooks Brothers subsidiary which was sold in April 1988.
 - (e) Consists of expenses, before income tax benefits, related to the tender offers for shares of Federated Department Stores, Inc. common stock.
 - (f) See Notes 3, 4, 5, and 15 to the Consolidated Financial Statements.
 - (g) Per share and share data are not presented for the Company for periods prior to the POR Effective Date as they are not meaningful because there were no publicly held shares of common stock of the Company following its acquisition by Campeau. Per share data are not presented for the period prior to the Company's acquisition by Campeau due to the general lack of comparability between the periods shown for the Predecessor with those shown for the Company. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."
 - (h) Balance Sheet Data at February 1, 1992 reflects the adoption of fresh-start reporting. The application and impact of fresh-start reporting is set forth in greater detail in Note 4 to the Consolidated Financial Statements.

As a result of the Company's emergence from bankruptcy and its adoption of fresh-start reporting as of February 1, 1992, the Company's Consolidated Balance Sheets at and after February 1, 1992 and its Consolidated Statements of Operations for periods after February 1, 1992 are not comparable to the Consolidated Financial Statements for prior periods included elsewhere herein. See the Notes to the Consolidated Financial Statements.

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

Introduction

The Company's results of operations and financial condition reflect the combination of the Federated/Allied Companies in the historical financial information presented, as well as the consummation of the POR and the transactions contemplated thereby. Accordingly, the results of operations of the Company are generally not comparable between years due to the Reorganization Proceedings and the effects of the POR and the transactions contemplated thereby.

Results of Operations

Comparison of the 52 Weeks Ended January 30, 1993 and February 1, 1992. Net sales for 1992 were \$7,079.9 million, compared to \$6,932.3 million for 1991, an increase of 2.1%. The Company operated at least 21 additional stores in the first half of 1991. On a comparable store basis, net sales increased 5.2%. Management believes that merchandising strategies put in place in the last two years, including the team buying process, which centrally directs and coordinates divisional merchandise assortments, and effective inventory management, contributed significantly to the Company's sales performance.

Management was encouraged by the increase in consumer spending and its positive impact on the economy in the fourth quarter of 1992. However, management remains cautious about the outlook for the economy until the impact of proposed tax increases and the depth of proposed spending cuts are fully understood by management and ultimately acted upon by Congress. Additionally, expectations for the first quarter of 1993 are tempered by the knowledge that comparisons will be against a first quarter of 1992 which

benefited from both a one-time strategy to clear old inventory marked down at the end of fiscal 1991 as well as a pick-up in overall general merchandise sales.

Cost of sales was 59.7% of net sales for 1992 compared to 60.6% for 1991. The decrease is due primarily to improved margins resulting from new merchandising strategies, designed to improve inventory turnover rate and the freshness of merchandise inventories, and efforts to clear old inventory marked down at the end of fiscal 1991. Additionally, cost of sales includes charges of \$8.5 million in 1992 compared to \$23.2 million in 1991 resulting from the valuation of merchandise inventory on the last-in, first-out basis.

Selling, general and administrative expenses were 34.2% of net sales for 1992 compared to 35.5% for 1991. The decrease is due primarily to reduced costs from streamlining and consolidation of operations at the divisions and lower amortization of reorganization value in excess of amounts allocable to identifiable assets in 1992 compared to amortization of excess of cost over net assets acquired in 1991.

Net interest expense was \$197.9 million for 1992, compared to \$437.0 million for 1991. In addition to the impact of the POR, net interest expense for 1992 was positively impacted by the prepayment or redemption of a total of \$950.0 million of long-term debt on May 29, 1992. As a result of the chapter 11 filing, the Company did not accrue \$301.6 million of interest on unsecured prepetition debt obligations in 1991. Cash interest payments, net of interest received, were \$136.3 million for 1992 compared to \$122.6 million for 1991, which includes the payment of the final \$43.0 million of interest on prepetition indebtedness required under the terms of a previous debtor-in-possession working capital financing facility.

Income tax expense was \$99.3 million, excluding extraordinary items, for 1992. This amount differs from the amount computed by applying the federal income tax statutory rate of 34.0% to income before extraordinary items principally because of permanent differences arising from the amortization of reorganization value in excess of amounts allocable to identifiable assets, and state and local income taxes.

Management believes that the turnaround of existing deferred tax liabilities will generate sufficient taxable income in future periods such that it is more likely than not that the deferred tax assets will be realized. Management intends to evaluate the realizability of deferred tax assets quarterly.

The extraordinary items, \$19.7 million after taxes, primarily resulted from non-cash write offs of accrued financing costs associated with debt prepayments.

Comparison of the 52 Weeks Ended February 1, 1992 and February 2, 1991. Net sales for 1991 were \$6,932.3 million, compared to \$7,142.0 million for 1990, a decrease of 2.9%. From February 2, 1990 to February 1, 1992, the Company closed or announced the closing of 41 department stores and two specialty stores, opened three stores, discontinued operating a clearance center and discontinued basement businesses at two divisions. On a comparable store basis, net sales increased 1.4%.

Cost of sales was 60.6% of net sales for 1991 compared to 61.5% for 1990. The decrease was primarily due to improved margins resulting from the implementation of new merchandising strategies.

Selling, general and administrative expenses were 35.5% of net sales for 1991 compared to 36.6% for 1990. The decrease was due to continued efforts to reduce expenses.

Net interest expense was \$437.0 million for 1991 compared to \$555.9 million for 1990. The Company did not accrue \$301.6 million and \$291.0 million of interest on unsecured prepetition debt obligations in 1991 and 1990, respectively. Interest payments, net of interest received, were \$122.6 million for 1991 compared to \$292.1 million for 1990. In 1991, the Company paid \$43.0 million of interest as compared to \$154.9 million in 1990 on prepetition indebtedness required under the terms of its previous debtor-in-possession working capital financing facility.

Reorganization items represented expenses incurred in both years as a result of the chapter 11 filings by the Federated/Allied Companies and subsequent reorganization efforts, including among other things, the closing of 25 stores in 1991 and 16 stores in 1990, the consolidation of certain operations in 1991 and the consolidation of merchandising services in 1990, and the adjustments to record the fair value of assets and liabilities at February 1, 1992. See Note 5 to the Consolidated Financial Statements.

The effective income tax rate of 33.2% for 1991 differed from the federal income tax statutory rate of 34.0% because of state and local income taxes, permanent differences arising from the amortization of excess of cost over net assets acquired and certain reorganization items and the impact on the Company of the tax benefit associated with the implementation of the POR. See Note 13 to the Consolidated Financial Statements.

The extraordinary item in 1991 represented the gain on debt discharge resulting from the consummation of the POR. Because the debt was discharged as a result of a chapter 11 case, no income tax expense was recorded. See Note 3 to the Consolidated Financial Statements.

In connection with the consummation of the POR, the Company changed its method of accounting for postretirement benefits other than pensions from principally a cash basis to the accrual basis in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The amount of additional liability recorded at fresh start represented the incremental amount over the remaining liability for then current retirees previously recorded in connection with the acquisition of the Company.

Liquidity and Capital Resources

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

On May 29, 1992, the Company repaid \$950.0 million of certain indebtedness issued pursuant to the POR with the \$502.0 million net proceeds from the Company's public offering of 46.0 million shares of Common Stock and cash on hand.

Also, on May 29, 1992, the Company entered into the Working Capital Facility which provided the Company with a \$380.0 million three-year working capital revolving credit loan and letter of credit facility. This Working Capital Facility is further described in Note 11 to the Consolidated Financial Statements. The Company presently intends to use the Working Capital Facility for back-up liquidity during its peak inventory seasons, as well as for letters of credit issued in the ordinary course of the Company's business. During 1992, there were no revolving credit borrowings under the Working Capital Facility. As of January 30, 1993, \$86.3 million aggregate face amount of letters of credit had been issued thereunder.

On December 15, 1992, Prime Receivables Corporation ("Prime"), an indirect wholly owned special-purpose finance subsidiary of the Company, completed a public offering of a total of \$981.0 million (\$979.1 million discounted amount) of asset-backed debt securities in four separate classes. The four classes of securities are: (i) \$450.0 million in aggregate principal amount of 7.05% Class A-1 Asset-Backed Certificates, Series 1992-1; (ii) \$450.0 million in aggregate principal amount of 7.45% Class A-2 Asset-Backed Certificates, Series 1992-2; (iii) \$40.5 million in aggregate principal amount of 7.55% Class B-1 Asset-Backed Certificates, Series 1992-1; and (iv) \$40.5 million in aggregate principal amount of 7.95% Class B-2 Asset-Backed Certificates, Series 1992-2. The certificates represent undivided interests in the assets of a master trust originated by Prime. Each class of Series 1992-1 certificates has a five-year maturity, and each class of 1992-2 certificates has a seven-year maturity. In connection with this offering, the Company's former receivables financing facilities were terminated, and approximately \$722.6 million in remaining indebtedness under these facilities was prepaid. On January 5, 1993, another indirect wholly owned special-purpose financing subsidiary of the Company entered into a liquidity facility with a syndicate of banks providing support for the issuance of up to \$375.0 million of receivables-backed commercial paper. As of January 30, 1993, no borrowings were outstanding under the commercial paper program or the liquidity facility.

During 1992, the Company repaid a total of \$2,133.0 million of debt, including the aforementioned \$950.0 million of long-term debt, and a total of \$1,142.4 million of net repayments of the receivables facilities terminated in December 1992. The Company issued \$979.1 million of new debt described above.

Net cash used by the Company for all financing activities was \$689.0 million in 1992, and net cash used in investing activities, principally net additions to property and equipment, was \$188.1 million.

On March 8, 1993, the Company defeased the entire \$355.0 million outstanding principal amount of its 10% Series B Secured Notes due February 15, 2000 by irrevocably depositing with the trustee therefor an amount sufficient to prepay the notes. The prepayment was funded from cash on hand.

In connection with the prepayment of the Series B Secured Notes, certain provisions of the Company's debt instruments were modified to allow the Company to increase its planned capital expenditures by approximately \$460.0 million to approximately \$1,210.0 million over the next three years. Most of this increase is expected to be budgeted for new store construction or acquisition, store expansions and further investments in technology. Management presently anticipates funding such expenditures from operations.

Management of the Company believes that cash on hand and funds from operations, together with the Working Capital Facility, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements. The Company expects from time to time to consider possible capital markets transactions, debt refinancing and other additional transactions to further reduce the Company's overall debt service requirements and further enhance the Company's financial flexibility.

Item 8. Consolidated Financial Statements and Supplementary Data

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

| <u>Index</u> | <u>Page Number</u> |
|---|--------------------|
| Management's Report | F-2 |
| Independent Auditors' Report | F-3 |
| Consolidated Statements of Operations for the years ended January 30, 1993, February 1, 1992, and February 2, 1991 | F-4 |
| Consolidated Balance Sheets at January 30, 1993 and February 1, 1992 | F-5 |
| Consolidated Statements of Cash Flows for the years ended January 30, 1993, February 1, 1992, and February 2, 1991 | F-6 |
| Notes to Consolidated Financial Statements | F-7 |

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

None.

PART III

Item 10. Directors of the Registrant

Information called for by this item is set forth under "Item 1 — Election of Directors" in the Proxy Statement and incorporated herein by reference.

Item 11. Executive Compensation

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

Item 12. Security Ownership and Certain Beneficial Owners and Management

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

Item 13. Certain Relationships and Related Transactions

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

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

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

(1) Financial Statements:

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

(2) Financial Statement Schedules:

| | | <u>Location in this Report</u> |
|---------------|---|------------------------------------|
| Schedule II | — Amounts Receivable from Related Parties and Under-writers, Promoters and Employees Other than Related Parties | S-2 |
| Schedule V | — Property, Plant and Equipment | S-3 |
| Schedule VI | — Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment | S-4 |
| Schedule VIII | — Valuation and Qualifying Accounts | S-5 |
| Schedule IX | — Short-Term Borrowings | S-6 |
| Schedule X | — Supplementary Income Statement Information | S-7 |

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

(3) Exhibits:

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

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|--|--|
| 3.1 | Certificate of Incorporation of the Company (Annex A to the Agreement and Plan of Merger, dated as of February 4, 1992, by and between the Company and Allied) | Exhibit 3.1 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10") |
| 3.1.1. | Certificate of Designation of Series A Junior Participating Preferred Stock of the Company | Exhibit 3.1.1 to the Form 10 |
| 3.2 | By-Laws of the Company | Exhibit 3.2 to the Form 10 |
| 4.1 | Certificate of Incorporation of the Company | See Exhibit 3.1 |
| 4.2 | By-Laws of the Company | See Exhibit 3.2 |
| 4.3 | Rights Agreement between the Company and the Rights Agent thereunder | Exhibit 4.3 to the Form 10 |
| 4.4 | Specimen Stock Certificate | Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-46902), filed April 1, 1992, as amended |

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|--|--|
| 10.1 | Series A Warrant Agreement | Exhibit 10.6 to the Form 10 |
| 10.2 | Series B Warrant Agreement | Exhibit 10.7 to the Form 10 |
| 10.3 | Credit Agreement, dated as of May 20, 1992, (the "Working Capital Facilities Agreement") among the Company, the lenders named therein and Citibank, N.A., as Agent and Mellon Bank, N.A., Societe Generale, New York Branch and Chemical Bank, as Co-Agents (Composite Copy including Amendment No. 1 thereto) | — |
| 10.3.1 | Amendment No. 2, dated as of July 15, 1992 to the Working Capital Facilities Agreement | — |
| 10.3.2 | Amendment No. 3, dated as of October 29, 1992 to the Working Capital Facilities Agreement | — |
| 10.3.3 | Amendment No. 4, dated as of February 28, 1993 to the Working Capital Facilities Agreement | — |
| 10.4 | Series A Secured Note Agreement | Exhibit 10.2 to the Form 10 |
| 10.4.1 | Amendment No. 1, dated as of May 29, 1992 to the Series A Secured Note Agreement | — |
| 10.4.2 | Amendment No. 2, dated as of July 24, 1992 to the Series A Secured Note Agreement | — |
| 10.4.3 | Amendment No. 3, dated as of October 29, 1992 to the Series A Secured Note Agreement | — |
| 10.4.4 | Amendment No. 4, dated as of February 28, 1993 to the Series A Secured Note Agreement | — |
| 10.5 | Shared Collateral Pledge Agreements | Exhibit 4.7 to the Form 10 |
| 10.6 | Shared Collateral Trust Agreement | Exhibit 4.8 to the Form 10 |
| 10.7 | Senior Convertible Discount Note Agreement | Exhibit 10.5 to the Form 10 |
| 10.8 | Senior Convertible Discount Note Indenture, dated as of April 8, 1993 between the Company and The First Bank of Boston, as Trustee | — |
| 10.8.1 | Form of Senior Convertible Discount Note | — |
| 10.9 | Loan Agreement, dated December 30, 1987 (the "Prudential Loan Agreement"), among Prudential Insurance of America, Allied and certain subsidiaries of Allied named therein | Exhibit 10.12 to Allied's Form 10-K Annual Report for the year ended January 2, 1988 |

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|--|--|
| 10.9.1 | Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement | Exhibit 10.9.1 to the Form 10 |
| 10.9.2 | Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement | Exhibit 10.9.2. to the Form 10 |
| 10.9.3 | Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement | Exhibit 10.9.3 to the Form 10 |
| 10.10 | Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (the "Pooling and Servicing Agreement"), among the Company, Prime, and Chemical Bank, as trustee | Exhibit 4.10 to Prime's Form 8-K Current Report, dated March 29, 1993 ("Prime's Form 8-K") |
| 10.11 | Series 1992-1 Supplement, dated as of December 15, 1992 to the Pooling and Servicing Agreement | Exhibit 4.6 to Prime's Registration Statement on Form 8-A, filed January 22, 1993, as amended ("Prime's Form 8-A") |
| 10.12 | Series 1992-2 Supplement, dated as of December 15, 1992 to the Pooling and Servicing Agreement | Exhibit 4.7 to Prime's Form 8-A |
| 10.13 | Series 1992-3 Supplement, dated as of January 5, 1993 to the Pooling and Servicing Agreement | Exhibit 4.8 to Prime's Form 8-K Current Report, dated January 29, 1993 |
| 10.14 | Receivables Purchase Agreement, dated as of December 15, 1992, among Abraham & Straus, Inc., Bloomingdale's Inc., Burdines, Inc., Jordan Marsh Stores Corporation, Lazarus, Inc., Rich's Department Stores, Inc., Stern's Department Stores, Inc., The Bon, Inc. and Prime | Exhibit 10.2 to Prime's Form 8-A |
| 10.15 | Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Chemical Bank, as Depository | — |
| 10.16 | Liquidity Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company, the financial institutions named therein and Credit Suisse, New York Branch, as Liquidity Agent | — |
| 10.17 | Pledge and Security Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company, Chemical Bank, as Depository and Collateral Agent and the Liquidity Agent | — |
| 10.18 | Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Goldman Sachs Money Markets, L.P. | — |

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|--|---|
| 10.19 | Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Shearson Lehman Brothers Inc. | — |
| 10.20 | Tax Sharing Agreement | Exhibit 10.10 to the Form 10 |
| 10.21 | Ralphs Tax Indemnification Agreement | Exhibit 10.1 to the Form 10 |
| 10.22 | 1992 Executive Equity Incentive Plan | Exhibit 10.11 to the Form 10 |
| 10.23 | 1992 Incentive Bonus Plan | Exhibit 10.12 to the Form 10 |
| 10.24 | Form of Severance Agreement | Exhibit 10.13 to the Form 10 |
| 10.25 | Form of Indemnification Agreement | Exhibit 10.14 to the Form 10 |
| 10.26 | Master Severance Plan for Key Employees | Exhibit 10.15 to the Company's Form 10-K Annual Report for the year ended February 3, 1990 (the "1989 Form 10-K") |
| 10.27 | Performance Bonus Plan for Key Employees | Exhibit 10.16 to the 1989 Form 10-K |
| 10.28 | Senior Executive Medical Plan | Exhibit 10.1.7 to the 1989 Form 10-K |
| 10.29 | Employment Agreement, dated February 2, 1990, between Allen I. Questrom and the Company | Exhibit 10.1.8 to the 1989 Form 10-K |
| 10.30 | Supplementary Executive Retirement Plan, as amended | — |
| 10.31 | Comprehensive Settlement Agreement | Exhibit 10.15 to the Form 10 |
| 11.1 | Exhibit of Primary and Fully Diluted Earnings per Share | See Page E-1 |
| 22.1 | Subsidiaries of the Company | — |
| 24.1 | Consent of KPMG Peat Marwick | — |
| 25.1 | Powers of Attorney | — |

(b) Reports on Form 8-K. None.

SIGNATURES

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

FEDERATED DEPARTMENT STORES INC.

By 

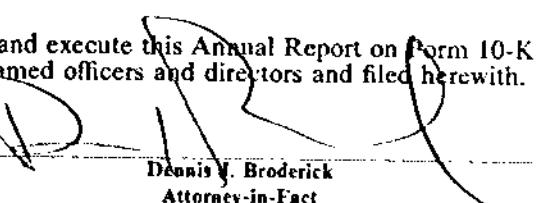
Dennis J. Broderick
Senior Vice President
and General Counsel

Date: April 23, 1993

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 23, 1993.

| <u>Signature</u> | <u>Title</u> |
|------------------------------------|--|
| * <u>Allen I. Questrom</u> | Chairman of the Board and Chief Executive Officer (principal executive officer) and Director |
| * <u>Ronald W. Tysoe</u> | Vice Chairman and Chief Financial Officer (principal financial officer) and Director |
| * <u>John E. Brown</u> | Senior Vice President and Controller (principal accounting officer) |
| * <u>Robert A. Charpie</u> | Director |
| * <u>Lyle Everingham</u> | Director |
| * <u>Meyer Feldberg</u> | Director |
| * <u>George V. Grune</u> | Director |
| * <u>Reginald H. Jones</u> | Director |
| * <u>John K. McKinley</u> | Director |
| * <u>G. William Miller</u> | Director |
| * <u>Joseph Neubauer</u> | Director |
| * <u>Karl M. von der Heyden</u> | Director |
| * <u>James M. Zimmerman</u> | Director |

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

By 

Dennis J. Broderick
Attorney-in-Fact

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MANAGEMENT'S REPORT

**To the Shareholders of
Federated Department Stores, Inc.:**

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

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

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

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

**Allen J. Questrom
Chairman and Chief Executive Officer**

**James M. Zimmerman
President and Chief Operating Officer**

**Ronald W. Tysoe
Vice Chairman and Chief Financial Officer**

**John E. Brown
Senior Vice President and Controller**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries (the "Company") as of January 30, 1993 and February 1, 1992 and the related consolidated statements of operations and cash flows for each of the 52-week periods ended January 30, 1993, February 1, 1992, and February 2, 1991. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedules. These consolidated financial statements and financial statement schedules are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Federated Department Stores, Inc. and subsidiaries at January 30, 1993 and February 1, 1992 and the results of their operations and their cash flows for each of the 52-week periods ended January 30, 1993, February 1, 1992, and February 2, 1991, in conformity with generally accepted accounting principles. Further, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

On February 4, 1992, the Company emerged from bankruptcy. As described in Notes 1 and 4 to the consolidated financial statements, the Company accounted for the reorganization as of February 1, 1992 and adopted "fresh-start reporting." As a result, the consolidated statements of operations and cash flows for the 52 weeks ended January 30, 1993, which present the consolidated results of operations and cash flows of the reorganized entity, are not comparable to the consolidated statements of operations and cash flows for the 52-week periods ended February 1, 1992 and February 2, 1991.

As discussed in Note 6 to the consolidated financial statements, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions," and changed its method of accounting for income taxes to adopt the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," as of February 1, 1992.

KPMG Peat Marwick
KPMG PEAT MARWICK

Cincinnati, Ohio
March 8, 1993

FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(thousands, except per share data)

| | 52 Weeks Ended January 30, 1993 | 52 Weeks Ended February 1, 1992 | 52 Weeks Ended February 2, 1991 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Net Sales, including leased department sales | <u>\$ 7,079,941</u> | <u>\$ 6,932,323</u> | <u>\$ 7,141,983</u> |
| Cost of sales | <u>4,229,396</u> | <u>4,202,223</u> | <u>4,394,976</u> |
| Selling, general and administrative expenses | <u>2,420,684</u> | <u>2,463,128</u> | <u>2,611,834</u> |
| Operating Income | <u>429,861</u> | <u>266,972</u> | <u>135,173</u> |
| Interest expense | <u>258,211</u> | <u>504,257</u> | <u>639,527</u> |
| Interest income | <u>(60,357)</u> | <u>(67,260)</u> | <u>(83,585)</u> |
| Income (Loss) Before Reorganization Items, Income Taxes, Extraordinary Items and Cumulative Effect of Change in Accounting Principle | <u>232,007</u> | <u>(170,025)</u> | <u>(420,769)</u> |
| Reorganization items | <u>—</u> | <u>(1,679,936)</u> | <u>(127,032)</u> |
| Income (Loss) Before Income Taxes, Extraordinary Items and Cumulative Effect of Change in Accounting Principle | <u>232,007</u> | <u>(1,849,961)</u> | <u>(547,801)</u> |
| Federal, state and local income tax (expense) benefit .. | <u>(99,299)</u> | <u>613,989</u> | <u>276,355</u> |
| Income (Loss) Before Extraordinary Items and Cumulative Effect of Change in Accounting Principle | <u>132,708</u> | <u>(1,235,972)</u> | <u>(271,446)</u> |
| Extraordinary items | <u>(19,699)</u> | <u>2,165,515</u> | <u>—</u> |
| Cumulative effect of change in accounting principle | <u>—</u> | <u>(93,151)</u> | <u>—</u> |
| Net Income (Loss) | <u>\$ 113,009</u> | <u>\$ 836,392</u> | <u>\$ (271,446)</u> |
| Earnings per Share: | | | |
| Income before extraordinary items | <u>\$ 1.19</u> | | |
| Extraordinary items | <u>(.18)</u> | | |
| Net Income | <u>\$ 1.01</u> | | |

Earnings per share are not presented for periods prior to the POR Effective Date as they are not meaningful because there were no publicly held shares of common stock of the Company.

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

FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED BALANCE SHEETS
(thousands)

| | January 30, 1993 | February 1, 1992 |
|--|------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 566,984 | \$1,002,482 |
| Accounts receivable | 1,543,834 | 1,515,378 |
| Merchandise inventories | 1,148,934 | 1,167,346 |
| Supplies and prepaid expenses | 40,068 | 42,615 |
| Deferred income tax assets | 90,261 | 113,342 |
| Total Current Assets | 3,390,081 | 3,841,163 |
| Property and Equipment — net | 2,478,251 | 2,499,700 |
| Reorganization Value in Excess of Amounts Allocable to Identifiable Assets — net | 356,482 | 375,244 |
| Notes Receivable | 421,454 | 420,575 |
| Other Assets | 373,502 | 364,463 |
| Total Assets | \$7,019,770 | \$7,501,145 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Short-term debt | \$ 12,944 | \$ 771,605 |
| Accounts payable and accrued liabilities | 1,103,289 | 1,111,011 |
| Income taxes | 46,512 | 34,735 |
| Total Current Liabilities | 1,162,745 | 1,917,351 |
| Long-Term Debt | 2,809,757 | 3,176,687 |
| Deferred Income Taxes | 750,771 | 746,627 |
| Other Liabilities | 221,517 | 206,348 |
| Shareholders' Equity | 2,074,980 | 1,454,132 |
| Total Liabilities and Shareholders' Equity | \$7,019,770 | \$7,501,145 |

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

FEDERATED DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(thousands)

| | 52 Weeks Ended January 30, 1993 | 52 Weeks Ended February 1, 1992 | 52 Weeks Ended February 2, 1991 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from operations: | | | |
| Net income (loss) | \$ 113,009 | \$ 836,392 | \$ (271,446) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 205,554 | 212,186 | 227,695 |
| Amortization of reorganization value in excess of amounts allocable to identifiable assets | 18,762 | — | — |
| Amortization of excess of cost over net assets acquired | — | 48,698 | 50,532 |
| Amortization of financing costs | 20,995 | 7,893 | 54,365 |
| Amortization of original issue discount | 15,593 | — | — |
| Amortization of unearned restricted stock | 5,808 | — | — |
| Loss on early extinguishment of debt | 19,699 | — | — |
| Cumulative effect of change in accounting for postretirement benefits other than pensions | — | 93,151 | — |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (28,456) | 111,174 | 61,048 |
| Decrease in merchandise inventories | 18,412 | 183,840 | 106,502 |
| Decrease in supplies and prepaid expenses | 2,547 | 860 | 1,583 |
| Decrease in excess of cost over net assets acquired | — | 133,000 | — |
| (Increase) decrease in other assets not separately identified | (20,179) | 238,605 | 35,033 |
| Increase in accounts payable and accrued liabilities not separately identified | 2,898 | 154,787 | 183,322 |
| Increase in current income taxes | 24,520 | 170,942 | 183,386 |
| Increase (decrease) in deferred income taxes | 27,225 | (524,829) | (251,499) |
| Increase (decrease) in other liabilities not separately identified | 15,169 | (12,692) | (79) |
| | 441,556 | 1,654,007 | 380,442 |
| Changes due to reorganization activities: | | | |
| Gain on discharge of prepetition liabilities and settlement of tax claims | — | (2,568,265) | — |
| Net adjustment of accounts to fair value | — | 1,231,389 | — |
| Increase in liabilities subject to settlement under reorganization proceedings | — | 244,102 | 184,211 |
| Net cash provided by operating activities | 441,556 | 561,233 | 564,653 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (198,505) | (201,631) | (93,143) |
| Disposition of property and equipment | 10,431 | 8,465 | 28,191 |
| Decrease in notes receivable | — | 400,383 | — |
| Net cash provided (used) by investing activities | (188,074) | 207,217 | (64,952) |
| Cash flows from financing activities: | | | |
| Debt issued | 979,141 | 684,153 | 376,000 |
| Financing costs | (26,518) | (45,774) | (22,266) |
| Debt repaid | (2,133,014) | (502,999) | (881,198) |
| Increase (decrease) in outstanding checks | (10,620) | 24,194 | 35,128 |
| Proceeds from the sale of common stock | 502,031 | — | — |
| Net cash provided (used) by financing activities | (688,980) | 159,574 | (492,336) |
| Cash flow effect of reorganization activities — payment of liabilities subject to settlement | | | |
| Net increase (decrease) in cash | (435,498) | 548,922 | 7,365 |
| Cash beginning of period | 1,002,482 | 453,560 | 446,195 |
| Cash end of period | \$ 566,984 | \$ 1,002,482 | \$ 453,560 |
| Supplemental cash flow information: | | | |
| Interest paid | \$ 197,138 | \$ 190,207 | \$ 374,258 |
| Interest received | \$ 60,869 | \$ 67,601 | \$ 82,173 |
| Income taxes paid (net of refunds received) | \$ 47,554 | \$ 18 | \$ (109,350) |
| Schedule of noncash investing and financing activities | | | |
| Capital lease obligations for new store fixtures | \$ 9,426 | \$ — | \$ — |
| Property and equipment transferred to other assets | \$ 13,395 | \$ 169,515 | \$ 121,713 |
| Increase in debt by transfer from liabilities subject to settlement under reorganization proceedings due to court approval of prepetition debt | \$ — | \$ — | \$ 438,250 |

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

FEDERATED DEPARTMENT STORES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reorganization and Emergence from Chapter 11

Federated Department Stores, Inc. (the "Company") is a retail organization operating department stores selling a wide range of merchandise including women's, men's and children's apparel, cosmetics, home furnishings, and other consumer goods.

On February 4, 1992 (the "POR Effective Date"), the Company emerged from proceedings under chapter 11 ("Chapter 11") of the United States Bankruptcy Code as the surviving corporation resulting from the Joint Plan of Reorganization (the "POR") of its predecessor companies, Federated Department Stores, Inc. ("Federated") and Allied Stores Corporation ("Allied"), and substantially all of their respective subsidiaries (collectively, the "Federated/Allied Companies"). The POR, which was confirmed by the United States Bankruptcy Court, Southern District of Ohio, Western Division ("the Bankruptcy Court") on January 10, 1992, resulted in an approximately \$5,000.0 million net reduction in the total indebtedness, liabilities subject to reorganization, and redeemable preferred stock of the Federated/Allied Companies.

The POR provided for, among other things, the cancellation of certain indebtedness in exchange for cash, new indebtedness, and/or new equity securities, the discharge of other prepetition claims, the cancellation of all prepetition ownership interests in Federated and Allied, the settlement of certain claims and mutual releases of certain claims of the Federated/Allied Companies and other persons or entities (including certain affiliated persons or entities), the assumption or rejection of executory contracts and unexpired leases to which any Federated/Allied Company was a party, and the election of a board of directors for the Company (the "Board of Directors").

In addition to the foregoing, on the POR Effective Date and in accordance with the POR, Allied was merged into the Company. The merger was accounted for as a combination of entities under common control. As of February 1, 1992, in accordance with AICPA Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), the Company adopted "fresh-start reporting" and reflected the effects of such adoption in the Consolidated Financial Statements for the 52 weeks then ended.

The Chapter 11 cases of the Federated/Allied Companies were commenced on January 15, 1990 (the "Petition Date"). During the pendency of their Chapter 11 cases, the Federated/Allied Companies discontinued accruing interest on their unsecured prepetition obligations. The net expense occurring as a result of the Chapter 11 filings and subsequent reorganization efforts of the Federated/Allied Companies have been segregated from ordinary operations in the Consolidated Statements of Operations.

2. Summary of Significant Accounting Policies

The Company adopted the recommended accounting for entities emerging from Chapter 11 reorganization set forth in the SOP 90-7. Consolidated Financial Statements as of and subsequent to February 1, 1992 are generally not comparable to Consolidated Financial Statements prior to February 1, 1992 and are separated by a black line. (See Note 4).

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Installments of deferred payment accounts receivable maturing after one year are included in current assets in accordance with industry practice. Such accounts are accepted on customary revolving credit terms and offer the customer the option of paying the entire balance on a 30-day basis without incurring finance charges. Alternatively, customers may make scheduled minimum payments and incur competitive finance charges. Minimum payments vary from 4.2% to 100.0% of the account balance, depending on the size of the balance. Profits on installment sales are included in income when the sales are made. Finance charge revenues are included as a reduction of selling, general and administrative expenses.

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

Depreciation and amortization are provided primarily on a straight-line basis over the shorter of estimated asset lives or related lease terms. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets.

Reorganization value in excess of amounts allocable to identifiable assets is being amortized on a straight-line basis over 20 years. Accumulated amortization was \$18.8 million at January 30, 1993. The excess of cost over net assets acquired was amortized on a straight-line basis over 40 years.

Financing costs are amortized over the life of the related debt.

In connection with the adoption of fresh-start reporting, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of fresh-start reporting, the Company accounted for income taxes under Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). Under both SFAS No. 109 and SFAS No. 96, deferred income taxes are provided for at the statutory rates on the difference between financial statement basis and tax basis of assets and liabilities and, under SFAS No. 109, are classified in the Consolidated Balance Sheets as current or non-current consistent with the assets and liabilities which give rise to such deferred income taxes.

Also in connection with the adoption of fresh-start reporting, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" ("SFAS No. 106"), which requires that the cost of these benefits be recognized in the financial statements over an employee's term of service with the Company. (See Note 6).

Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" was issued in November 1992, and must be implemented by the first quarter of 1994. The adoption of this pronouncement is not expected to have a material adverse effect on results of operations or financial position.

Earnings per share are computed on the basis of daily average number of shares outstanding during the year. Any dilution from the potential issuance of shares under the 1992 Executive Equity Incentive Plan (the "Equity Plan") would be less than 3.0%. Fully diluted earnings per share include the effect of the potential issuance of shares under the Equity Plan as well as for the Senior Convertible Discount Notes and, unless disclosed, any such dilution would be less than 3.0%.

Certain reclassifications have been made to prior year financial statements to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

3. Extraordinary Items

On May 28, 1992 (the "Offering Date"), the Company completed a public offering of 46.0 million shares of Common Stock. The net proceeds from the stock offering of \$502.0 million and cash on hand were applied to the prepayment or redemption of a total of \$950.0 million of long-term debt. The Company recorded an extraordinary item of \$13.6 million, net of income tax benefit of \$8.8 million, resulting primarily from the non-cash write off of accrued financing costs associated with the debt prepayments.

The following unaudited Pro Forma Consolidated Statement of Operations is based upon the Consolidated Statement of Operations of the Company for the 52 weeks ended January 30, 1993 and has been adjusted to give effect to the stock offering and the prepayment of a total of \$950.0 million of long-term debt as if such transactions had been consummated on February 2, 1992. The following unaudited Pro Forma Consolidated Statement of Operations does not purport to be indicative of the results of operations that would actually have been reported had the foregoing transactions in fact been consummated as of the dates referred to above or results of operations that may be reported by the Company in the future.

The unaudited Pro Forma Consolidated Statement of Operations for the 52 weeks ended January 30, 1993, is as follows:

| | <u>Historical</u> | <u>Debit</u> | <u>Credit</u> | <u>Pro Forma As Adjusted</u> |
|---|-----------------------------------|--------------|---------------|----------------------------------|
| | (millions, except per share data) | | | |
| Net Sales, including leased department sales | <u>\$7,079.9</u> | | | <u>\$7,079.9</u> |
| Cost of sales | 4,229.4 | | | 4,229.4 |
| Selling, general and administrative expenses | <u>2,420.6</u> | | | <u>2,420.6</u> |
| Operating Income | 429.9 | | | 429.9 |
| Interest expense | 258.2 | 1.8(a) | 26.6(b) | 233.4 |
| Interest income | <u>(60.3)</u> | 6.0(c) | | <u>(54.3)</u> |
| Income Before Income Taxes and Extraordinary Items | 232.0 | | | 250.8 |
| Federal, state and local income tax expense | <u>(99.3)</u> | 7.3(d) | | <u>(106.6)</u> |
| Income Before Extraordinary Items | 132.7 | | | 144.2 |
| Extraordinary items | <u>(19.7)</u> | | 13.6(e) | <u>(6.1)</u> |
| Net Income | <u><u>\$ 113.0</u></u> | | | <u><u>\$ 138.1</u></u> |
| Earnings per Share (f): | | | | |
| Income before extraordinary items | \$ 1.19 | | | \$ 1.15 |
| Extraordinary items | <u>(.18)</u> | | | <u>(.05)</u> |
| Net Income | <u><u>\$ 1.01</u></u> | | | <u><u>\$ 1.10</u></u> |

(a) To record amortization of deferred financing costs and other expenses related to the Working Capital Facility for the period prior to the Offering Date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

- (b) To reverse interest expense on debt prepaid as follows:

| | 52 Weeks Ended January 30, 1993 (millions) |
|---------------------------------------|--|
| Series A Secured Notes | \$ 3.7 |
| Series B Secured Notes | 6.4 |
| Series C Secured Notes | 4.0 |
| Series D Secured Notes | 8.8 |
| Series E Secured Notes | <u>2.0</u> |
| | 24.9 |
| Amortization of financing costs | <u>1.7</u> |
| | <u>\$26.6</u> |

- (c) To reverse interest income from cash on hand used to prepay debt and pay Working Capital Facility fees.
 (d) To record the income tax effect of adjustments relating to the stock offering for items that are deductible for income tax purposes, using an assumed effective income tax rate of 39%.
 (e) To reverse the loss on the early extinguishment of debt.
 (f) Pro forma as adjusted earnings per share is based upon the pro forma daily average number of shares outstanding of 126.0 million, which is higher than the historical daily average number of shares outstanding of 111.4 million because the pro forma daily average number of shares outstanding assumes the issuance of 46.0 million shares as of February 1, 1992.

On December 15, 1992, Prime Receivables Corporation ("Prime"), an indirect wholly owned special-purpose financing subsidiary of the Company, completed the public offering of \$981.0 million (\$979.1 million discounted amount) of asset-backed debt securities. In connection with the offerings, the Company's former receivables financing facilities were terminated. The Company recorded an extraordinary item of \$6.1 million, net of income tax benefit of \$3.9 million, resulting primarily from the non-cash write off of accrued financing costs associated with the prepayment of the receivables facilities.

The extraordinary item for the 52 weeks ended February 1, 1992 was a gain resulting from the discharge of prepetition claims against the Federated/Allied Companies during Chapter 11. The value of cash and securities distributed was \$2,165.5 million less than the allowed claims.

4. Fresh-Start Reporting

The primary valuation methodology employed to determine the reorganization value of the Company was a net present value approach, based on the Company's forecasts of unleveraged, after-tax annual cash flows over the five-year period from 1992 to 1996, capitalizing projected earnings before interest and taxes at multiples ranging from 8.5 to 10.0 selected to value earnings and cash flows beyond 1996, and discounting the resulting amounts to present value at rates ranging from 15.0% to 17.0% selected to approximate the Company's projected weighted average cost of capital.

The adjustments to reflect the consummation of the POR, including the subsequent gain on debt discharge of prepetition liabilities, and the adjustment to record assets and liabilities at their fair values (including the establishment of reorganization value in excess of amounts allocable to identifiable assets), have been reflected in the accompanying Consolidated Financial Statements as of February 1, 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The effect of the POR on the Company's Consolidated Balance Sheet as of February 1, 1992 is as follows:

| Adjustments to Record Plan of Reorganization | | | | | |
|--|--|----------------------|---|------------------------------|--|
| | Pre-Fresh-Start Balance Sheet February 1, 1992 | Debt Discharge(a) | Fresh-Start Accounting Changes(b) (millions) | Fair Value Adjustments(c) | Fresh-Start Balance Sheet February 1, 1992 |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 1,401.3 | \$ (398.8) | \$ | \$ | \$ 1,002.5 |
| Accounts receivable | 1,518.1 | (2.7) | \$ | \$ | 1,515.4 |
| Merchandise inventories | 1,107.7 | \$ | \$ 59.6 | \$ | 1,167.3 |
| Supplies and prepaid expenses | 42.6 | \$ | \$ | \$ 42.6 | \$ |
| Deferred income tax assets | — | \$ | \$ (23.3) | \$ | 113.3 |
| Total Current Assets | <u>4,069.7</u> | <u>(401.5)</u> | <u>136.6</u> | <u>36.3</u> | <u>3,841.1</u> |
| Property and Equipment — net | 2,561.3 | \$ | \$ (61.6) | \$ | 2,499.7 |
| Reorganization Value in Excess of Amounts Allocable to Identifiable Assets — net | — | \$ | \$ 375.2 | \$ | 375.2 |
| Excess of Costs Over Net Assets | | | | | |
| Acquired — net | 1,675.2 | \$ | \$ (1,675.2) | \$ | — |
| Notes Receivable | 415.4 | 5.2 | \$ | \$ | 420.6 |
| Other Assets | 257.8 | 16.0 | \$ | \$ 90.7 | \$ |
| Total Assets | <u>\$8,979.4</u> | <u>\$ (380.3)</u> | <u>\$136.6</u> | <u>\$ (1,234.6)</u> | <u>\$7,501.1</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) | | | | | |
| Current Liabilities: | | | | | |
| Short-term debt | \$ 742.4 | \$ 29.2 | \$ | \$ | \$ 771.6 |
| Accounts payable and accrued liabilities | 1,076.2 | 34.8 | \$ | \$ | 1,111.0 |
| Income taxes | 425.2 | (473.8) | 48.7 | 34.7 | 34.8 |
| Total Current Liabilities | <u>2,243.8</u> | <u>(409.8)</u> | <u>48.7</u> | <u>34.7</u> | <u>1,917.4</u> |
| Liabilities Subject to Settlement Under Reorganization Proceedings | | | | | |
| Long-Term Debt | 6,719.2 | (6,719.2) | \$ | \$ | — |
| Deferred Income Taxes | 752.0 | 2,424.7 | \$ | \$ | 3,176.7 |
| Other Liabilities | 667.2 | 81.7 | 28.4 | (30.7) | 746.6 |
| Redeemable Cumulative Exchangeable Preferred Stock | 46.2 | 14.6 | 152.7 | (7.2) | 206.3 |
| Shareholders' Equity (Deficit): | | | | | |
| Common stock | — | 0.8 | \$ | \$ | 0.8 |
| Additional paid in capital | 915.3 | 2,015.4 | \$ | \$ (1,477.4) | \$ 1,453.3 |
| Retained earnings | (2,722.1) | 2,569.3 | (93.2) | 246.0 | — |
| Total Shareholders' Equity (Deficit) | <u>(1,806.8)</u> | <u>4,585.5</u> | <u>(93.2)</u> | <u>(1,231.4)</u> | <u>1,454.1</u> |
| Total Liabilities and Shareholders' Equity (Deficit) | <u>\$8,979.4</u> | <u>\$ (380.3)</u> | <u>\$136.6</u> | <u>\$ (1,234.6)</u> | <u>\$7,501.1</u> |

- (a) To record the settlement of liabilities subject to settlement under reorganization proceedings, the settlement of certain income tax claims, and other transactions in connection with the POR.
- (b) To record the cumulative effect of adopting SFAS No. 106 and SPAS No. 109 as of the POR Effective Date.
- (c) To record the adjustments to state assets and liabilities at fair value and to eliminate the deficit in accumulated earnings against additional paid-in capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Unaudited pro forma results of operations assuming the POR and change in accounting principle had occurred on the first day of the period shown below, are as follows:

| | <u>52 Weeks Ended February 1, 1992</u> |
|----------------------|--|
| | (millions, except per share data) |
| Net sales..... | \$6,932.3 |
| Net loss | (24.8) |
| Loss per share | (.31) |

The unaudited pro forma results of operations above give effect to the following:

- (i) Projected savings in personnel and operating expenses from the consolidation of merchandising and marketing operations for Burdine's, Inc. and Maas, Inc.
- (ii) Elimination of the historical amortization of the excess of cost over net assets acquired. Amortization, over 20 years, of reorganization value in excess of amounts allocable to identifiable assets.
- (iii) The incremental expense impact of adopting SFAS No. 106.
- (iv) Amortization of awards of restricted stock granted under the Equity Plan.
- (v) Elimination of historical interest expense and interest income and recording of interest expense on the debt incurred in connection with the POR and interest income from remaining notes receivable after giving effect to the POR.
- (vi) Elimination of historical reorganization expense which will not be incurred subsequent to the POR Effective Date.

5. Reorganization Items

The net expense incurred as a result of the Chapter 11 filings and subsequent reorganization efforts has been segregated from ordinary operations in the Consolidated Statements of Operations.

| | <u>52 Weeks Ended February 1, 1992</u> | <u>52 Weeks Ended February 2, 1991</u> |
|---|--|--|
| | (millions) | (millions) |
| Adjustments to fair value | \$1,231.4 | \$ — |
| Restructuring costs | 378.8 | 96.5 |
| Professional fees and other expenses related to bankruptcy | 110.8 | 68.7 |
| Interest income | <u>(41.1)</u> | <u>(38.2)</u> |
| | <u>\$1,679.9</u> | <u>\$127.0</u> |

Adjustments to fair value reflect the net change to state assets and liabilities at fair value. Restructuring costs include costs and expenses from closing of facilities, consolidation of operations, and certain expenses related to the rejection of executory contracts as well as gains or losses from the disposition of related assets. Interest income is attributable to the accumulation of cash and short-term investments subsequent to the Petition Date.

6. Cumulative Effect of Accounting Changes

In connection with the adoption of fresh-start reporting, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions," as of February 1, 1992. The cumulative effect of the change on retained earnings prior to the adoption of fresh-start reporting at February 1, 1992 was \$152.7 million, net of income taxes of \$59.5 million. (See Note 15). The Company also adopted

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

SFAS No. 109, "Accounting for Income Taxes," as of February 1, 1992. The cumulative effect of the change to SFAS No. 109 was not material. (See Note 13).

7. Accounts Receivable

| | <u>January 30, 1993</u> | <u>February 1, 1992</u> |
|--|-----------------------------|-----------------------------|
| | (millions) | |
| Due from customers | \$1,498.7 | \$1,473.3 |
| Less allowance for doubtful accounts | <u>45.4</u> | <u>59.2</u> |
| | 1,453.3 | 1,414.1 |
| Other receivables | <u>90.5</u> | <u>101.3</u> |
| Net receivables | <u><u>\$1,543.8</u></u> | <u><u>\$1,515.4</u></u> |

Sales through the Company's credit plans were \$3,575.2 million, \$3,512.8 million, and \$3,746.4 million for the 52 weeks ended January 30, 1993, February 1, 1992 and February 2, 1991, respectively.

Finance charge revenues amounted to \$225.1 million, \$225.7 million, and \$217.9 million for the 52 weeks ended January 30, 1993, February 1, 1992 and February 2, 1991, respectively.

8. Inventories

Merchandise inventories were \$1,148.9 million at January 30, 1993 compared to \$1,167.3 million at February 1, 1992. Inventories were \$8.5 million lower at January 30, 1993 than they would have been had the retail method been applied using the first-in, first-out method. As a result of the adoption of fresh-start reporting, merchandise inventories were adjusted to the estimated fair market value as of February 1, 1992, and the LIFO inventory cost, therefore, approximated the cost of such inventory using the first-in, first-out method.

9. Properties and Leases

| | <u>January 30, 1993</u> | <u>February 1, 1992</u> |
|--|-----------------------------|-----------------------------|
| | (millions) | |
| Land | \$ 446.5 | \$ 455.0 |
| Buildings on owned land | 873.3 | 850.2 |
| Buildings on leased land and leasehold improvements .. | 509.0 | 512.8 |
| Store fixtures and equipment | 782.9 | 634.8 |
| Property not used in operations | 6.1 | 6.0 |
| Leased properties under capitalized leases | <u>50.0</u> | <u>40.9</u> |
| | 2,667.8 | 2,499.7 |
| Less accumulated depreciation and amortization | <u>189.5</u> | <u>—</u> |
| | <u><u>\$2,478.3</u></u> | <u><u>\$2,499.7</u></u> |

The Company adopted fresh-start reporting, as of February 1, 1992, which required fixed assets to be adjusted to fair value. Such adjustment resulted in a \$61.6 million decrease in net property and equipment.

Buildings on leased land and leasehold improvements includes approximately \$161.2 million at January 30, 1993 and \$164.9 million at February 1, 1992 of intangible assets relating to favorable leases which are being amortized over the related lease terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

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

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance and other executory costs; some also require additional payments based on percentages of sales and some contain purchase options.

Minimum rental commitments (excluding executory costs) at January 30, 1993, for noncancelable leases are:

| | <u>Capital Leases</u> | <u>Operating Leases</u> (millions) | <u>Total</u> |
|--|---------------------------|---|----------------|
| Fiscal year: | | | |
| 1993..... | \$ 11.0 | \$ 75.6 | \$ 86.6 |
| 1994..... | 9.1 | 71.8 | 80.9 |
| 1995..... | 8.0 | 67.5 | 75.5 |
| 1996..... | 7.8 | 64.1 | 71.9 |
| 1997..... | 7.8 | 57.9 | 65.7 |
| After 1997 | <u>76.7</u> | <u>489.4</u> | <u>566.1</u> |
| Total minimum lease payments | 120.4 | \$826.3 | \$946.7 |
| Less amount representing interest | <u>61.1</u> | | |
| Present value of net minimum capital lease payments | <u>\$ 59.3</u> | | |

Capitalized leases are included in the Consolidated Balance Sheets as property and equipment while the related obligation is included as short-term (\$5.2 million) and long-term (\$54.1 million) debt. Amortization of capitalized leases is included in depreciation and amortization expense. Total minimum lease payments shown above have not been reduced by minimum sublease rentals of approximately \$2.6 million on capital leases and \$5.4 million on operating leases.

Rental expense consists of:

| | <u>52 Weeks Ended January 30, 1993</u> | <u>52 Weeks Ended February 1, 1992</u> (millions) | <u>52 Weeks Ended February 2, 1991</u> |
|--|--|--|--|
| Real estate (excluding executory costs) | | | |
| Capital leases — | | | |
| Contingent rentals | \$ 3.5 | \$ 3.0 | \$ 2.8 |
| Operating leases — | | | |
| Minimum rentals | 63.6 | 61.2 | 61.2 |
| Contingent rentals | <u>8.5</u> | <u>8.9</u> | <u>10.0</u> |
| | <u>75.6</u> | <u>73.1</u> | <u>74.0</u> |
| Less income from subleases — | | | |
| Capital leases | 0.8 | 0.7 | 1.7 |
| Operating leases | <u>6.1</u> | <u>9.3</u> | <u>5.9</u> |
| | <u>6.9</u> | <u>10.0</u> | <u>7.6</u> |
| | <u>\$68.7</u> | <u>\$63.1</u> | <u>\$66.4</u> |
| Personal property — | | | |
| Operating leases | <u>\$36.4</u> | <u>\$38.9</u> | <u>\$37.1</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

10. Notes Receivable

On May 3, 1988, Federated sold its Bullock's/Bullocks Wilshire, Filene's, Foley's and I. Magnin divisions. The proceeds from the sales included \$800.0 million in notes receivable. Federated obtained \$704.0 million in cash by transferring the notes to grantor trusts, which borrowed such amount under note monetization facilities (see Note 11) and distributed the proceeds to Federated. At the end of fiscal year 1991, Federated received \$400.0 million pursuant to a letter of credit which secured the payment of a \$400.0 million promissory note (the "Macy Note") from R. H. Macy & Co. ("Macy") for the sale of Federated's Bullock's/Bullocks Wilshire and I. Magnin divisions.

The remaining \$400.0 million note receivable bears interest at 9½% and is supported by a letter of credit. The interest rate on the Macy Note was ½% over LIBOR.

11. Financing

Pursuant to the POR, the Company issued the Series A Secured Notes, Series B Secured Notes, Series C Secured Notes, Series D Secured Notes, Series E Secured Notes, and the Senior Convertible Discount Notes (the "Convertible Notes") (collectively, the "New Debt"). In addition, in consideration of certain distributions under the POR, a letter of credit facility (the "LC Facility") providing for the issuance from time to time prior to February 5, 1995, of up to \$150.0 million aggregate face amount of letters of credit was made available to the Company.

On May 29, 1992, the net proceeds of \$502.0 million from a public offering of 46.0 million shares of Common Stock and cash on hand were used to prepay a total of \$950.0 million of long-term debt. The indebtedness prepaid included all of the Company's Series C, D and E Secured Notes, approximately \$170.0 million of the Company's Series A Secured Notes and approximately \$199.0 million of the Company's Series B Secured Notes. In connection with the stock offering, the Company entered into a three-year revolving credit loan and letter of credit agreement (the "Working Capital Facility" described below). This Working Capital Facility replaced the LC Facility.

On December 15, 1992, Prime completed a public offering of a total of \$981.0 million (\$979.1 million discounted amount) of asset-backed debt securities in four separate classes, as described below. The net proceeds from the offerings have been used by Prime to finance its purchases of revolving consumer credit card receivables generated by the Company's department store operations and to prepay approximately \$722.6 million of balances outstanding under the receivables financing facilities which were terminated in connection with the offerings. On January 5, 1993, another indirect wholly owned special-purpose financing subsidiary of the Company entered into a liquidity facility with a syndicate of banks providing support for the issuance of up to \$375.0 million of receivables-backed commercial paper.

On March 8, 1993, the Company deposited funds in an irrevocable trust for the prepayment and redemption of the entire \$355.0 million outstanding principal amount of its Series B Secured Notes. In addition, the Series A Secured Notes, which were scheduled to be repaid with annual installments beginning on February 15, 1997 and extending through February 15, 2000, were amended to be payable in full on February 15, 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Short-term and long-term debt were as follows:

| | <u>January 30, 1993</u> (millions) | <u>February 1, 1992</u> |
|---|---------------------------------------|-------------------------|
| Short-term debt: | | |
| Receivables facilities..... | \$ — | \$ 742.4 |
| Current portion of long-term debt | <u>12.9</u> | <u>29.2</u> |
| Total short-term debt | <u><u>\$ 12.9</u></u> | <u><u>\$ 771.6</u></u> |
| Long-term debt: | | |
| Receivables backed certificates | \$ 979.2 | \$ — |
| Receivables facilities..... | — | 400.0 |
| Series A secured notes | 302.9 | 472.8 |
| Series B secured notes | 355.0 | 554.2 |
| Series C secured notes | — | 182.6 |
| Series D secured notes | — | 305.6 |
| Series E secured notes | — | 93.0 |
| Senior convertible discount notes | 272.5 | 256.9 |
| Mortgage facility..... | 346.5 | 365.2 |
| Subsidiary trade obligations..... | 101.5 | 101.5 |
| Note monetization facility | 352.0 | 352.0 |
| Capitalized leases | 54.1 | 49.9 |
| Other | 46.1 | 43.0 |
| Total long-term debt | <u><u>\$2,809.8</u></u> | <u><u>\$3,176.7</u></u> |

Future maturities of long-term debt, other than capitalized leases and including unamortized original issued discount of \$36.7 million, are shown below:

| | <u>Historical</u> (millions) | <u>Pro Forma*</u> |
|---------------------|---------------------------------|-------------------|
| Fiscal year: | | |
| 1994 | \$ 7.1 | \$ 7.1 |
| 1995 | 108.0 | 108.0 |
| 1996 | 4.7 | 4.7 |
| 1997 | 815.9 | 1,028.1 |
| 1998 | 362.2 | 187.6 |
| After 1998 | 1,494.5 | 1,101.9 |

*Adjusted to reflect the prepayment of the Series B Secured Notes and the amended maturity date for the Series A Secured Notes (discussed above).

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

Receivables Backed Certificates

The four classes of securities are: (i) \$450.0 million in aggregate principal amount of 7.05% Class A-1 Asset-Backed Certificates, Series 1992-1 due December 15, 1997; (ii) \$450.0 million in aggregate principal amount of 7.45% Class A-2 Asset-Backed Certificates, Series 1992-2 due December 15, 1999; (iii) \$40.5 million in aggregate principal amount of 7.55% Class B-1 Asset-Backed Certificates, Series 1992-1 due January 15, 1998; and (iv) \$40.5 million in aggregate principal amount of 7.95% Class B-2 Asset-Backed Certificates, Series 1992-2 due January 18, 2000. The certificates represent undivided interests in the assets of a master trust originated by Prime.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Receivables Backed Commercial Paper

The borrowings are secured by an interest in the master trust originated by Prime and are subject to interest rate caps of 6.0% in 1993, 7.0% in 1994 and 10% thereafter. As of January 30, 1993, there were no borrowings outstanding under the commercial paper program or the liquidity facility.

The Series A Secured Notes

The Series A Secured Notes (as amended on March 8, 1993) are secured obligations of the Company which mature on February 15, 1997 and bear interest at the rate per annum equal to, at the Company's option, either (i) Citibank's Alternate Base Rate III plus 1.5% (the "Base Rate") or (ii) LIBOR plus 2.5% (the "LIBOR Rate"). Interest at the Base Rate is payable quarterly on March 15, June 15, September 15, and December 15, commencing March 15, 1992. Interest at the LIBOR Rate is payable at the end of each one-, two-, three-, or six-month period (a "LIBOR Interest Period"), as selected by the Company, except that, with respect to any LIBOR Interest Period of six months, accrued and unpaid interest will be payable at the end of the third and sixth months of such LIBOR Interest Period.

Under certain circumstances, the Company will be required to apply to the repayment or redemption of the Series A Secured Notes a portion of the net proceeds realized from (i) the sale, conveyance, or other disposition of collateral securing the Series A Secured Notes and certain other indebtedness of the Company or (ii) the sale by the Company for its own account of shares of its capital stock.

The Senior Convertible Discount Notes

The Convertible Notes are unsecured obligations of the Company which mature on February 15, 2004 and bear interest at the rate of 6.0% payable semiannually on February 15 and August 15, commencing August 15, 1995; provided, however, that such interest rate will be reset effective as of February 15, 1995 to a rate (not to exceed 10% per annum) equal to the sum of (i) the average rate for hypothetical Eight-Year Treasury Notes during the 20 consecutive trading days ending February 15, 1995 and (ii) 200 basis points, unless the per share closing price of the Common Stock is at least equal to \$32.00 or \$35.00, respectively, for 20 consecutive trading days in any of the first or second 12-month periods following February 15, 1993. The Convertible Notes will not bear cash interest prior to February 15, 1995, but will accrete from the deemed issue price as of the POR Effective Date of \$835.81 per \$1,000 of stated principal amount to such stated principal amount at the rate of 6.0% per annum compounded semiannually during the period from February 3, 1992 to February 15, 1995.

On each of February 15, 2002 and 2003, the Company will pay an amount equal to 33.3% of the aggregate stated principal amount of the Convertible Notes initially outstanding, and will pay any remaining balance on February 15, 2004, in each case together with accrued interest to the date of payment. In addition, subject to the limitations contained in certain other debt instruments to which the Company is a party, at any time on or after February 15, 1995, the Company may make optional prepayments or redemptions of the Convertible Notes in whole or part. All such prepayments will be made at 100% of the stated principal amount so prepaid or redeemed, together with interest accrued to the date of prepayment or redemption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

At any time at the option of a holder of Convertible Notes, such holder will have the right to convert the principal of any such holder's Convertible Notes that is \$100,000 stated principal amount or an integral multiple of such amount (or such lesser stated principal amount that represents all of such holder's Convertible Notes) into fully-paid and non-assessable shares of Common Stock at the rate of 27.86 shares of Common Stock for each \$1,000 stated principal amount of Convertible Notes, provided that such conversion rate will be appropriately adjusted in order to prevent dilution of such conversion rights in the event of certain changes in or events affecting the Common Stock and certain consolidations, mergers, sales, leases, transfers, or other dispositions to which the Company is a party. In addition, if at any time the closing per share price of the Common Stock is \$42.00 or more for 20 consecutive trading days, or if the aggregate outstanding stated principal amount of the Convertible Notes is \$12.5 million or less, the Company may require the conversion of all outstanding Convertible Notes into Common Stock.

Mortgage Facility

Certain of the Company's real estate subsidiaries are parties to a mortgage loan facility providing for secured borrowings. Under an amendment entered into pursuant to the POR, borrowings under the facility will mature in 2002 and bear interest at 9.99% per annum. Borrowings under the facility are secured by liens on certain real property.

Subsidiary Trade Obligations

In addition to the cash distribution made on the POR Effective Date, the holders of certain allowed general unsecured prepetition claims against certain of the Company's subsidiaries are entitled pursuant to the POR to receive an additional cash payment on February 4, 1995.

The obligations of the applicable subsidiaries of the Company (the "Subsidiary Trade Obligors") to make such payments (the "Subsidiary Trade Obligations") have been estimated by the Company at \$101.5 million in the aggregate, exclusive of interest. The Subsidiary Trade Obligations bear interest at the rate of 6.94% per annum, payable annually on February 15, commencing on February 15, 1993. The Subsidiary Trade Obligations are unsecured obligations of the applicable Subsidiary Trade Obligors, guaranteed by the Company on a subordinated basis. The terms of the POR relating to the Subsidiary Trade Obligations include certain restrictions on, among other things, the incurrence of indebtedness by the Subsidiary Trade Obligors and the payment of dividends by the Subsidiary Trade Obligors or the Company.

Note Monetization Facility

On May 3, 1988, Federated sold certain divisions for consideration consisting of two \$400.0 million promissory notes. Federated subsequently transferred the notes to grantor trusts of which it is the beneficiary. The trusts borrowed \$704.0 million under note monetization facilities, using the notes as collateral, and distributed the proceeds of such borrowing to Federated. At the end of fiscal year 1991, Federated received \$400.0 million pursuant to a letter of credit which secured the payment of the Macy Note from Macy for the sale of Federated's Bullock's/Bullocks Wilshire and I. Magnin divisions. Of the \$400.0 million cash received, \$352.0 million was treated as in-substance defeasance of the indebtedness incurred by one of the grantor trusts. The other trust's borrowing under the remaining note monetization facility matures in two equal installments on May 3, 1997 and 1998, and bears interest at fluctuating interest rates based on LIBOR, subject to certain adjustments. An interest rate swap agreement was entered into for the remaining note monetization facility which, in effect, converted the variable interest rate to a fixed rate of 10.344%. The Company is not an obligor on the borrowing under the note monetization facility, and the lender's recourse thereunder is limited to the trust's assets and the Company's interest in the trust.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Working Capital Facility

On May 29, 1992, the Company entered into a three-year revolving credit loan and letter of credit agreement (the "Revolving Credit Agreement") with a syndicate of banks. The Revolving Credit Agreement, which expires on April 3, 1995, provides for direct borrowings and the issuance of letters of credit in an aggregate amount of up to \$380.0 million (the "Working Capital Facility"). The rate of interest on the borrowings is LIBOR plus 2½% (2% beginning May 1993) per annum or the Base Rate (described in the Revolving Credit Agreement) plus 1½% (1% beginning May 1993) per annum payable quarterly in arrears and subject to further step downs based on the Company's debt ratings and its maintaining certain fixed charge coverage ratios. A commitment fee of ½% per annum is payable quarterly in arrears on the average daily unused portion of the facility. Fees for outstanding letters of credit are 2% (1½% beginning May 1993) per annum for outstanding trade letters of credit and 2½% (2% beginning May 1993) per annum for outstanding stand-by letters of credit and are also subject to further step downs as described above. The Company's obligations under the Revolving Credit Agreement are secured by the stock of certain operating subsidiaries. The Revolving Credit Agreement contains restrictive covenants, including limitations on capital expenditures, additional borrowings and dividends; requires the Company to achieve certain financial ratios; and requires a "clean-up" during the fourth fiscal quarter of each year. During 1992, there were no revolving credit borrowings under the Working Capital Facility and, as of January 30, 1993, \$86.3 million aggregate face amount of letters of credit had been issued thereunder.

Interest and financing costs were as follows:

| | <u>52 Weeks Ended January 30, 1993</u> | <u>52 Weeks Ended February 1, 1992</u> (millions) | <u>52 Weeks Ended February 2, 1991</u> |
|--|--|--|--|
| Interest on debt | \$232.0 | \$479.8 | \$578.7 |
| Amortization of financing costs | 21.0 | 18.3 | 54.4 |
| Interest on capitalized leases | 5.3 | 6.4 | 7.4 |
| Subtotal | 258.3 | 504.5 | 640.5 |
| Less: | | | |
| Interest capitalized on construction | (0.1) | (0.2) | (1.0) |
| Interest income | (60.3) | (67.3) | (83.6) |
| | <u>\$197.9</u> | <u>\$437.0</u> | <u>\$555.9</u> |

Up to \$600.0 million of combined borrowings under the Series A Secured Notes and the Working Capital Facility are subject to interest rate caps of 6.0% in 1993 and 7.0% in 1994. Interest expense excludes interest on unsecured prepetition debt obligations of \$301.6 million and \$291.0 million for the 52 weeks ended February 1, 1992 and February 2, 1991, respectively.

12. Accounts Payable and Accrued Liabilities

| | <u>January 30, 1993</u> | <u>February 1, 1992</u> |
|--|-----------------------------|-----------------------------|
| | (millions) | |
| Merchandise and expense accounts payable | \$ 710.0 | \$ 709.2 |
| Restructuring and other merger costs | 105.9 | 147.3 |
| Accrued interest | 28.2 | 10.2 |
| Taxes other than income taxes | 51.9 | 62.3 |
| Other | 207.3 | 182.0 |
| | <u>\$1,103.3</u> | <u>\$1,111.0</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

13. Taxes

Total income taxes for the 52 weeks ended January 30, 1993 were allocated as follows:

| | (millions) |
|-------------------------------------|---------------|
| Income (loss) from operations | \$99.3 |
| Extraordinary items | <u>(12.7)</u> |
| Total income taxes | \$86.6 |

Income tax expense (benefit) attributable to income (loss) from operations is as follows:

| | 52 Weeks Ended January 30, 1993 | | | 52 Weeks Ended February 1, 1992 | | | 52 Weeks Ended February 2, 1991 | | |
|-----------------------|------------------------------------|---------------|---------------|------------------------------------|------------------------|-------------------|------------------------------------|-------------------|-------------------|
| | Current | Deferred | Total | Current | Deferred (millions) | Total | Current | Deferred | Total |
| Federal | \$64.4 | \$14.2 | \$78.6 | \$ (25.9) | \$ (457.5) | \$ (483.4) | \$ (69.4) | \$ (187.6) | \$ (257.0) |
| State and local | 16.1 | 4.6 | 20.7 | 42.6 | (173.2) | (130.6) | 0.6 | (20.0) | (19.4) |
| | \$80.5 | \$18.8 | \$99.3 | \$ 16.7 | \$ (630.7) | \$ (614.0) | \$ (68.8) | \$ (207.6) | \$ (276.4) |

The income tax expense (benefit) attributable to income (loss) from operations reported differs from the expected tax computed by applying the federal income tax statutory rate of 34% to income (loss) before income taxes, extraordinary items and cumulative effect of change in accounting principles. The reasons for this difference and their tax effects are as follows:

| | 52 Weeks Ended January 30, 1993 | 52 Weeks Ended February 1, 1992 (millions) | 52 Weeks Ended February 2, 1991 |
|---|------------------------------------|--|------------------------------------|
| Expected tax | \$ 78.9 | \$ (629.0) | \$ (186.2) |
| Permanent differences arising from: | | | |
| Amortization of intangible assets | 6.4 | 16.6 | 17.1 |
| Certain non-deductible reorganization items | — | 13.3 | 16.3 |
| Effect of consummation of POR | — | 68.2 | — |
| Effect of carrying back net operating losses to years with higher federal income tax rates | — | — | (20.0) |
| Reinstatement of cumulative net operating loss carry forwards | — | — | (90.5) |
| State and local income taxes, net of federal income tax expense (benefit) | 13.7 | (86.2) | (12.9) |
| Other | 0.3 | 3.1 | (0.2) |
| | \$ 99.3 | \$ (614.0) | \$ (276.4) |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

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

| | <u>January 30, 1993</u> | <u>February 1, 1992</u> |
|--|-----------------------------|-----------------------------|
| | (millions) | |
| Deferred tax assets: | | |
| Accrued liabilities accounted for on a cash basis for tax purposes | \$ 144.2 | \$ 180.5 |
| Postretirement benefits other than pensions | 78.3 | 75.9 |
| Capital lease debt | 23.1 | 21.7 |
| Allowance for doubtful accounts | 17.7 | 17.2 |
| Alternative minimum tax credit carryforwards | 25.8 | 21.0 |
| Other | 32.1 | 33.8 |
| Total gross deferred tax assets | <u>321.2</u> | <u>350.1</u> |
| Deferred tax liabilities: | | |
| Excess of book basis over tax basis of property and equipment | (593.9) | (603.4) |
| Prepaid pension expense | (91.0) | (85.3) |
| Deferred gain from sale of divisions | (80.1) | (80.1) |
| Merchandise inventories | (76.4) | (83.6) |
| Effects of reorganization transactions | (130.9) | (126.9) |
| Other | (9.4) | (4.1) |
| Total gross deferred tax liabilities | <u>(981.7)</u> | <u>(983.4)</u> |
| Net deferred tax liability | <u>\$ (660.5)</u> | <u>\$ (633.3)</u> |

As of January 30, 1993, the Company had alternative minimum tax credit carryforwards of \$25.8 million which are available to reduce future federal regular income taxes, if any, over an indefinite period.

In connection with the POR and the joint plan of reorganization of Federated Stores, Inc. ("FSI"), the former parent of Federated and Allied and certain of its subsidiaries, the FSI consolidated tax group (which, with respect to periods prior to the POR Effective Date, included the Federated/Allied Companies) triggered certain gains (the "Gains") estimated at approximately \$1,800.0 million. Under applicable federal tax law, each member of the FSI consolidated tax group would be severally liable for the entire amount of any tax liability incurred by any other member of the group, generally, prior to the POR Effective Date. Under an indemnification agreement entered into pursuant to the POR, among other things, Ralphs Grocery Company ("Ralphs"), a former subsidiary of FSI, would generally be liable to the Company for 21% of the first \$71.43 million in tax liability with respect to the Gains and the Company would indemnify Ralphs for any tax liability above that amount. The Company believes that net operating and capital losses ("NOLs") sufficient to offset the Gains were available at the time the Gains were triggered and, accordingly, that the Company will have no regular federal income tax liability in respect thereof and that it has adequately provided for its estimated alternative minimum tax liability. Management does not expect that the resolution of issues related to the POR will have a material adverse effect on the Company's financial position. Further, the realization of any unrecorded tax benefits related to the NOLs generated prior to the POR Effective Date will be recorded as reductions of reorganization value in excess of amounts allocable to identifiable assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

In connection with the Chapter 11 cases, the Internal Revenue Service ("IRS") audited the tax returns of the Federated/Allied Companies and the FSI consolidated tax group for tax years 1984 through 1989 and asserted certain claims against the Federated/Allied Companies and other members of the FSI consolidated tax group. The issues raised by the IRS audit were resolved by agreement with the IRS in the Chapter 11 cases except for two issues involving the use by the Federated/Allied Companies of an aggregate of \$27.0 million of NOLs of an acquired company and the deductibility of approximately \$176.3 million of so-called "break-up fees". These issues were litigated before the Bankruptcy Court and resolved in favor of the Federated/Allied Companies; however, on January 21, 1992, the IRS filed a notice of appeal of the Bankruptcy Court's determination of these issues to the United States District Court for the Southern District of Ohio, where such appeal is currently pending. Management does not expect that the resolution of these issues will have a material adverse effect on the Company's financial position.

14. Retirement Plans

The Company has defined benefit plans ("Pension Plans") and defined contribution plans ("Profit Sharing Plans") which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has a defined benefit supplementary retirement plan which includes benefits, for certain employees, in excess of qualified plan limitations. Net retirement income for these plans totaled \$1.1 million for the 52 weeks ended January 30, 1993, \$2.0 million for the 52 weeks ended February 1, 1992, and \$0.5 million for the 52 weeks ended February 2, 1991.

Measurements of plan assets and obligations for the Pension Plans and the defined benefit supplementary retirement plan are calculated as of December 31 of each year. In addition, for such plans, the discount rates used to determine the actuarial present value of projected benefit obligations was 8.0% as of December 31, 1992 and 1991. The assumed rate of increase in future compensation levels was 4.5% as of December 31, 1992 and 1991. The long-term rate of return on assets (Pension Plans only) was 10%.

Pension Plans

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

| | <u>52 Weeks Ended January 30, 1993</u> | <u>52 Weeks Ended February 1, 1992</u> | <u>52 Weeks Ended February 2, 1991</u> |
|--------------------------------------|--|--|--|
| | | (millions) | |
| Service cost | \$ 16.8 | \$ 16.7 | \$ 17.8 |
| Interest cost | 36.9 | 37.4 | 35.7 |
| Actual return on assets | (48.6) | (138.6) | (3.4) |
| Net amortization and deferrals | <u>(19.6)</u> | <u>74.5</u> | <u>(58.4)</u> |
| | <u><u>\$ (14.5)</u></u> | <u><u>\$ (10.0)</u></u> | <u><u>\$ (8.3)</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The following table sets forth the projected actuarial present value of benefit obligations and funded status at December 31, 1992 and 1991, for the Pension Plans:

| | <u>December 31, 1992</u> | <u>December 31, 1991</u> |
|---|------------------------------|------------------------------|
| | (millions) | (millions) |
| Accumulated benefit obligations | <u>\$ 486.4</u> | <u>\$ 477.8</u> |
| Less: Present value of net accumulated benefits available under the Profit Sharing Plan | <u>48.7</u> | <u>63.1</u> |
| Net accumulated benefit obligations, including vested benefits of \$422.2 million and \$401.4 million, respectively | <u>437.7</u> | <u>414.7</u> |
| Projected compensation increases | <u>60.0</u> | <u>66.7</u> |
| Projected benefit obligations | <u>497.7</u> | <u>481.4</u> |
| Plan assets (primarily stocks, bonds and U.S. government securities) | <u>706.8</u> | <u>700.1</u> |
| Unrecognized loss | <u>24.1</u> | <u>—</u> |
| | <u>730.9</u> | <u>700.1</u> |
| Prepaid pension expense | <u><u>\$ 233.2</u></u> | <u><u>\$ 218.7</u></u> |

The Company's policy is to fund the Pension Plans at or above the minimum required by law. At each of December 31, 1992 and 1991, the Company had met the full funding limitation. Plan assets are held by independent trustees.

One of the Company's Pension Plans was amended effective January 1, 1993 to reflect then current salary levels. This amendment will result in an increase of approximately \$12.0 million in the accumulated benefit obligation, which will be recognized over an amortization period of 10.5 years.

The adoption of fresh-start reporting required the pension assets to be adjusted to fair value which resulted in a \$64.7 million increase to prepaid pension expense as of February 1, 1992.

Supplementary Retirement Plan

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

| | <u>52 Weeks Ended January 30, 1993</u> | <u>52 Weeks Ended February 1, 1992</u> | <u>52 Weeks Ended February 2, 1991</u> |
|--|--|--|--|
| | (millions) | (millions) | (millions) |
| Service cost | <u>\$ 0.3</u> | <u>\$ 1.0</u> | <u>\$ 1.1</u> |
| Prior service cost | <u>7.9</u> | <u>—</u> | <u>—</u> |
| Interest cost on projected benefit obligations ... | <u>0.6</u> | <u>2.0</u> | <u>1.9</u> |
| Net amortization and deferral | <u>(0.4)</u> | <u>0.9</u> | <u>0.9</u> |
| | <u><u>\$ 8.4</u></u> | <u><u>\$ 3.9</u></u> | <u><u>\$ 3.9</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

The following table sets forth the projected actuarial present value of unfunded benefit obligations at December 31, 1992 and 1991, for the supplementary retirement plan:

| | <u>December 31, 1992</u> | <u>December 31, 1991</u> |
|--|------------------------------|------------------------------|
| | (millions) | |
| Accumulated benefit obligations, including vested benefits of \$12.0 million and \$4.4 million, respectively | \$12.4 | \$ 4.4 |
| Projected compensation increases | <u>3.2</u> | <u>7.2</u> |
| Projected benefit obligations | 15.6 | 11.6 |
| Unrecognized gain | <u>4.1</u> | <u>—</u> |
| Accrued supplementary retirement obligation | <u><u>\$19.7</u></u> | <u><u>\$11.6</u></u> |

In December 1992, the Company reestablished a percentage of the benefits for former employees who had retired prior to the Petition Date. This action increased the accumulated benefit obligation by \$7.9 million at December 31, 1992, which was expensed as prior service cost in the 52 weeks ended January 30, 1993.

In connection with the POR, the Company reinstated the supplementary retirement plan for the then current employees and, through a \$7.2 million adjustment, reduced the accrued liability for the supplementary retirement plan to its fair value.

Profit Sharing Plans

The Profit Sharing Plans include a voluntary savings feature for eligible employees. The Company's contribution is based on the Company's annual earnings. The minimum Company contribution ranges from 12.5% to 20% of employee's eligible savings. Profit sharing expense amounted to \$5.0 million for the 52 weeks ended January 30, 1993, \$4.1 million for the 52 weeks ended February 1, 1992, and \$3.9 million for the 52 weeks ended February 2, 1991. The Profit Sharing Plans had net assets at December 31, 1992, aggregating \$655.4 million held in independent trusts.

15. Postretirement Health Care and Life Insurance Benefits

In addition to providing pension and other supplemental benefits, certain retired employees are currently provided with specified health care, life insurance, and merchandise purchase discount benefits. Eligibility requirements for such benefits vary by division and subsidiary, but generally state that benefits are available to employees who retire after a certain age with specified years of service and agree to contribute a portion of the cost (except for the merchandise purchase discount and certain life insurance benefits). The Company has the right to modify or terminate these benefits for employees who retire after the Petition Date. Health care and life insurance benefits are provided to both retired and active employees through medical benefit trusts and insurance companies.

The Company adopted SFAS No. 106 as of the February 1, 1992, which requires that the cost of these benefits be recognized in the financial statements over an employee's service period with the Company. The Company recognized a transition obligation of \$152.7 million in postretirement benefits it sponsors in accordance with SFAS No. 106 as of February 1, 1992. Previously, except for a \$43.7 million remaining liability recorded in a purchase business combination, such costs were recorded under the cash method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Net postretirement benefit expense included the following actuarially determined components:

| | <u>52 Weeks Ended January 30, 1993</u> |
|---------------------|--|
| | (millions) |
| Service cost | \$ 3.5 |
| Interest cost | <u>15.1</u> |
| | <u><u>\$18.6</u></u> |

Subsequent to the adoption of SFAS No. 106 as of February 1, 1992, the measurement of the postretirement benefit obligations is calculated as of December 31. The following table sets forth the projected actuarial present value of unfunded postretirement benefit obligations for the plans at December 31, 1992 and February 1, 1992, after fresh-start reporting:

| | December 31, 1992 | February 1, 1992 |
|---|------------------------|------------------------|
| | (millions) | |
| Accumulated postretirement benefit obligation: | | |
| Retirees | \$ 148.7 | \$ 145.0 |
| Fully eligible active plan participants | 26.0 | 25.5 |
| Other active plan participants | <u>26.6</u> | <u>25.9</u> |
| Accrued postretirement benefit obligation | <u><u>\$ 201.3</u></u> | <u><u>\$ 196.4</u></u> |

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.0%.

On January 1, 1993, all but two subsidiaries changed the retiree health care benefits and the remaining two subsidiaries will adopt the changes on July 1, 1993. As a result of these changes, the future benefits provided by the Company for employees who retire after the Petition Date will be based on a fixed amount per year of service and the accumulated postretirement benefit obligation will not be affected by increases in health care costs. The effect of adopting the benefit changes will be reflected as an approximately \$21.4 million reduction of the accumulated postretirement benefit obligation and will be recognized over an amortization period of 12.8 years.

16. Equity Plan

The Company has implemented the Equity Plan to provide an equity interest in the Company to key management personnel and thereby provide additional incentives for such persons to devote themselves to the maximum extent practicable to the businesses of the Company and its subsidiaries. The Equity Plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee"). The Compensation Committee is authorized to grant options, stock appreciation rights and restricted stock to officers and key employees of the Company and its subsidiaries. The Equity Plan also provides for the award of options to nonemployee directors. A maximum of 4.6 million shares of Common Stock may be issued pursuant to the Equity Plan, not more than 1.2 million of which may be awarded in the form of restricted stock. An amendment to the Equity Plan has been proposed for consideration at the annual meeting of shareholders, which would increase the maximum number of shares available for issuance by 5.0 million shares and the maximum number of shares which may be awarded in the form of restricted stock by 250,000 shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Stock option transactions are as follows:

| | <u>Shares</u> (thousands) | <u>Grant Price</u> |
|-------------------------------------|------------------------------|------------------------|
| Outstanding, beginning of year..... | — | \$ — |
| Granted at 100% of market | 1,948.7 | 11.625-18.375 |
| Cancelled | (120.2) | 13.375-16.875 |
| Outstanding, end of year..... | <u>1,828.5</u> | <u>\$11.625-18.375</u> |
| Exercisable, end of year | — | \$ — |

As of January 30, 1993, 1,989,900 shares of Common Stock are available for additional grants pursuant to the Equity Plan, of which not more than 418,400 may be awarded in the form of restricted stock.

17. Shareholders' Equity

The authorized shares of the Company consist of 125.0 million shares of preferred stock ("Preferred Stock"), par value of \$.01 per share with no shares issued and 250.0 million shares of Common Stock, par value of \$.01 per share with 126.0 million shares of Common Stock issued and outstanding at January 30, 1993.

Common Stock

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights that may be applicable to any Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. However, it is not presently anticipated that dividends will be paid on Common Stock in the foreseeable future and certain of the debt instruments to which the Company is a party restrict the payment of dividends. All of the outstanding shares of Common Stock issued pursuant to the POR are fully paid and nonassessable.

A substantial portion of the shares of Common Stock issued pursuant to the POR was subject to certain restrictions on dispositions as provided for in the POR and the By-Laws. Effective November 17, 1992, the Board of Directors released the restrictions on transfer of 20% of the shares of Common Stock subject to such restrictions. Effective February 4, 1993, the Board of Directors released the restrictions on transfer of 60% of the then remaining shares of Common Stock subject to restrictions. On March 8, 1993, the Board of Directors released the restrictions on the remaining shares of Common Stock subject to restrictions, effective April 5, 1993.

Preferred Share Purchase Rights

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

In general, the Rights will not become exercisable or transferable apart from the shares of Common Stock with which they were issued unless a person or group of affiliated or associated persons becomes the beneficial owner of, or commences a tender offer that would result in beneficial ownership of, 20% or more of the then outstanding shares of Common Stock (any such person or group of persons being referred to as an "Acquiring Person"). Thereafter, under certain circumstances, each Right (other than any Rights that are or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

were beneficially owned by an Acquiring Person, which Rights will be void) could become exercisable to purchase at the Purchase Price a number of shares of Common Stock having a market value equal to two times the Purchase Price. The Rights will expire on February 4, 2002, unless earlier redeemed by the Company at a redemption price of \$.03 per Right (subject to adjustment).

Future Stock Issuance

The Company is authorized to issue 8.6 million shares of Common Stock (subject to adjustment) upon the conversion of the Convertible Notes and 5.2 million shares of Common Stock (subject to adjustment) upon the exercise of the Series A Warrants and Series B Warrants. The Series A Warrants were issued under the Series A Warrant Agreement between the Company and The Bank of New York, as Warrant Agent (the "Series A Warrant Agreement"). The Series B Warrants were issued under the Series B Warrant Agreement between the Company and The First Boston Corporation, as the initial holder of the Series B Warrants (the "Series B Warrant Agreement"). Each warrant, when exercised, will entitle the holder thereof to acquire 1.047 shares of Common Stock at an exercise price of (i) \$25.00 per warrant, in the case of the Series A Warrants, or (ii) \$35.00 per warrant, in the case of the Series B Warrants.

The Series A Warrants are transferable. The Series B Warrants are not transferable prior to February 4, 1995. There are 4.2 million shares of Common Stock subject to the Series A Warrants and 1.0 million shares of Common Stock are subject to the Series B Warrants, in each case subject to adjustment in certain events to prevent dilution of the rights conferred thereby as set forth in the applicable Warrant Agreement. The Series A Warrants expire February 15, 1996 and the Series B Warrants expire February 15, 2000.

| | <u>52 Weeks Ended January 30, 1993</u> | <u>52 Weeks Ended February 1, 1992</u> | <u>52 Weeks Ended February 2, 1991</u> |
|---|--|--|--|
| | (millions) | | |
| Preferred stock | \$ — | \$ — | \$ — |
| Common stock: | | | |
| Balance, beginning of period | 0.8 | — | — |
| Issuance of common stock | 0.5 | 0.8 | — |
| Balance, end of year | 1.3 | 0.8 | — |
| Additional paid-in capital: | | | |
| Balance, beginning of period | 1,453.3 | 915.3 | 915.3 |
| Issuance of common stock | 514.7 | 2,015.4 | — |
| Eliminate deficit in accumulated earnings | — | (1,477.4) | — |
| Balance, end of year | 1,968.0 | 1,453.3 | 915.3 |
| Unearned restricted stock: | | | |
| Balance, beginning of period | — | — | — |
| Issuance of common stock | (13.1) | — | — |
| Amortization | 5.8 | — | — |
| Balance, end of year | (7.3) | — | — |
| Accumulated equity (deficit): | | | |
| Balance, beginning of period | — | (2,313.8) | (2,042.4) |
| Net income (loss) | 113.0 | 836.4 | (271.4) |
| Eliminate deficit in accumulated earnings | — | 1,477.4 | — |
| Balance, end of year | 113.0 | — | (2,313.8) |
| Total shareholders' equity (deficit) | \$2,075.0 | \$1,454.1 | \$ (1,398.5) |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

18. Financial Instruments and Concentrations of Credit Risk

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

Cash and short-term investments

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

Accounts receivable

The carrying amount approximates fair value because of the short average maturity of the instruments and bad debt expense can be reasonably estimated and has been reserved for against the receivable balance.

Notes receivable

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

Other assets

No quoted market prices exist for the Company's long-term investments and, therefore, a reasonable estimate of fair value could not be made without incurring excessive costs. Additional information pertinent to the value of an investment is provided below.

Long-term debt

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

Interest rate swap agreement

The fair value of the interest rate swap agreement is obtained from dealer quotes. The value represents the estimated amount the Company would pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The interest rate swap agreement pertains to the note monetization facility and although currently in a net payable position, management intends to hold the agreement to its maturity date or until conditions are favorable to refinance the note monetization facility.

Interest rate cap agreements

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

The estimated fair values of the Company's financial instruments at January 30, 1993 are as follows:

| | <u>Carrying Amount</u> (millions) | <u>Fair Value</u> |
|---------------------------------------|--------------------------------------|-------------------|
| Cash and short-term investments | \$ 567.0 | \$ 567.0 |
| Notes receivable | 419.7 | 428.6 |
| Other assets | 25.9 | N/A |
| Long-term debt | 2,755.7 | 2,770.7 |
| Interest rate swap agreement | — | (65.0) |
| Interest rate cap agreements | 10.1 | 6.2 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

It is not practicable to estimate the fair value of the Company's investment in Ralphs (approximately 6.58% of the common stock) due to lack of a quoted market price. The investment is carried at its original cost of \$25.9 million in the Consolidated Balance Sheet. Revenues and net loss reported by Ralphs were \$2,889.2 million and \$41.2 million, respectively, for the year ended February 2, 1992 and \$1,968.7 million and \$54.8 million, respectively, for the 36 weeks ended October 11, 1992. At October 11, 1992, Ralphs reported total assets of \$1,381.2 million and shareholders' deficit of \$112.0 million.

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

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments in what it believes to be high credit quality financial instruments. Credit risk with respect to trade receivables is concentrated in the geographic regions in which the Company operates stores. Such concentrations, however, are considered to be limited due to the Company's large number of customers and their dispersion across many regions.

19. Quarterly Results (unaudited)

Unaudited quarterly results for the 52 weeks ended January 30, 1993 and the 52 weeks ended February 1, 1992, were as follows:

| | <u>First Quarter</u> | <u>Second Quarter</u> | <u>Third Quarter</u> | <u>Fourth Quarter</u> |
|--|-----------------------------------|-----------------------|----------------------|-----------------------|
| | (millions, except per share data) | | | |
| 52 Weeks Ended January 30, 1993: | | | | |
| Net sales | \$1,571.7 | \$1,457.2 | \$1,789.0 | \$2,262.0 |
| Operating income | 80.2 | 27.3 | 99.5 | 222.9 |
| Income (loss) before extraordinary items | 11.8 | (15.8) | 31.6 | 105.1 |
| Net income (loss) | \$ 11.8 | \$ (29.4) | \$ 31.6 | \$ 99.0 |
| Earnings per share: | | | | |
| Income (loss) before extraordinary items | \$.15 | \$ (.14) | \$.25 | \$.83 |
| Net income (loss) | .15 | (.26) | .25 | .78 |
| Fully diluted earnings per share: | | | | |
| Income (loss) before extraordinary items | .15 | (.14) | .25 | .80 |
| Net income (loss) | .15 | (.26) | .25 | .75 |
| 52 Weeks Ended February 1, 1992: | | | | |
| Net sales | \$1,593.4 | \$1,495.7 | \$1,708.9 | \$2,134.3 |
| Operating income | 41.5 | 8.5 | 53.3 | 163.7 |
| Loss before extraordinary item and cumulative effect of change in accounting principle | (64.2) | (143.8) | (61.0) | (966.9) |
| Net income (loss) | \$ (64.2) | \$ (143.8) | \$ (61.0) | \$ 1,105.4 |

Earnings per share are not presented for periods prior to the POR Effective Date as they are not meaningful because there were no publicly held shares of common stock of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

20. Legal Proceedings

Notwithstanding the confirmation and effectiveness of the POR, the Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Federated/Allied Companies, resolve matters related to the assumption, assumption and assignment, or rejection of executory contracts pursuant to the POR, and to resolve other matters that may arise in connection with or relate to the POR. Pursuant to the POR, and based on the Company's estimate of the amount of such claims that ultimately will be allowed by the Bankruptcy Court, the Company has provided for the payment of approximately \$285.0 million in respect of certain classes of claims against certain subsidiaries of the Company. Approximately \$183.5 million of this amount was funded by cash that was deposited in trust as of the POR Effective Date for the payment of settled claims ("cash portion"), while the remaining \$101.5 million is reflected as "subsidiary trade obligations" on the Company's Consolidated Balance Sheets ("deferred portion"). (See Note 11). As of January 30, 1993, the Company had disbursed approximately \$127.2 million of the cash portion and had committed approximately \$70.4 million of the deferred portion to creditors, with the remaining amounts of the cash and deferred portions continuing to be available for settlement of disputed claims. The total face amount of claims which were still being disputed by the Company as of January 30, 1993 was approximately \$189.3 million. In the event that the provisions applicable to the disputed claims prove to be inadequate, the holders of such disputed claims that ultimately are allowed by the Bankruptcy Court would have recourse to certain subsidiaries of the Company and, with respect to a portion of the consideration provided for such claims in the POR, to the Company. However, while there can be no assurance that the actual amounts of such claims that are ultimately allowed by the Bankruptcy Court will not exceed the estimated amounts thereof, management does not expect that any variance between such actual and estimated amounts will have a material adverse effect on the Company's financial position.

The Company and its subsidiaries are also involved in various legal proceedings incidental to the normal course of their business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's financial positions.

INDEX TO FINANCIAL STATEMENT SCHEDULES

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| Schedule V —Property, Plant and Equipment | S-3 |
| Schedule VI —Accumulated Depreciation, Depletion, and Amortization of Property, Plant, and Equipment | S-4 |
| Schedule VIII —Valuation and Qualifying Accounts..... | S-5 |
| Schedule IX —Short-Term Borrowings | S-6 |
| Schedule X —Supplementary Income Statement Information | S-7 |

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

SCHEDULE II

FEDERATED DEPARTMENT STORES, INC.

**SCHEDULE II — AMOUNTS RECEIVABLE FROM RELATED
PARTIES AND UNDERWRITERS, PROMOTERS AND
EMPLOYEES OTHER THAN RELATED PARTIES**

| Name of Debtor | Balance at Beginning of Period | Additions | Column D | | Column E | |
|--------------------------|--------------------------------|-----------|------------|----------------------------|--------------------------|--------------------|
| | | | Deductions | | Balance at End of Period | |
| | | | (1) | (2) Amounts Written Off | (1) | (2) Not Current |
| James E. Gray..... | \$500,000 | \$ — | \$ — | \$ — | \$500,000 | \$ — |
| Gordon R. Cooke | 200,000 | — | — | — | — | 200,000 |
| Rudolph V. Javosky | 150,000 | — | 25,000 | — | 25,000 | 100,000 |
| Carl Tooker | 150,000 | — | — | — | 50,000 | 100,000 |

In July 1988, Federated made a loan in the amount of \$500,000 to Mr. James E. Gray, President of Burdines, in connection with his relocation from Los Angeles, California to Miami, Florida. The note is interest free as long as he is an employee of the Company and is due the earlier of July 29, 1993 or termination.

In August 1988, Federated made a loan in the amount of \$200,000 to Mr. Gordon R. Cooke, Chief Executive Officer of Bloomingdale's By Mail Ltd., in connection with his relocation to New York. The loan bears interest at a rate of 8% per annum and is due in installments from August 19, 1994 through August 19, 1998.

In July 1988, Federated made a loan in the amount of \$225,000 to Mr. Rudolph V. Javosky, Senior Vice President of the Company, in connection with his relocation from New York to Cincinnati, Ohio. The loan is interest free as long as there is no default and is due in installments from August 1, 1989 through August 1, 1997.

In September 1990, Federated made a loan in the amount of \$150,000 to Mr. Carl Tooker, Chairman of Rich's, in connection with his relocation from Massachusetts to Georgia. The loan bears interest at a rate of 10% per annum and is due in installments from April 1, 1993 through April 1, 1995.

SCHEDULE V

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT
(thousands)

| Column A | Column B | Column C | Column D | Column E | Column F |
|--|--------------------------------|-------------------|------------------|-------------------------------------|--------------------------|
| Classification | Balance at Beginning of Period | Additions at Cost | Retirements | Other Changes—Add (Deduct) Describe | Balance at End of Period |
| (Note A) | | | | | |
| 52 Weeks Ended January 30, 1993: | | | | | |
| Land | \$ 455,044 | \$ 503 | \$ — | \$ (9,066) | \$ 446,481 |
| Buildings, substantially all on owned land | 850,162 | 18,374 | 569 | 5,309 | 873,276 |
| Buildings on leased land, improvements to leased properties and leaseholds | 512,821 | 11,693 | 6,445 | (9,118) | 508,951 |
| Store fixtures and equipment | 634,825 | 167,798 | 18,619 | (1,116) | 782,888 |
| Property not used in operations .. | 5,935 | 137 | — | 2 | 6,074 |
| Capitalized leases | 40,913 | 9,426 | 290 | — | 50,049 |
| | \$2,499,700 | \$ 207,931 | \$ 25,923 | \$ (13,989) | \$2,667,719 |
| 52 Weeks Ended February 1, 1992: | | | | | |
| Land | \$ 494,960 | \$ — | \$ — | \$ (39,916) | \$ 455,044 |
| Buildings, substantially all on owned land | 1,130,052 | 11,985 | 1,820 | (290,055) | 850,162 |
| Buildings on leased land, improvements to leased properties and leaseholds | 696,796 | 27,359 | 3,478 | (207,856) | 512,821 |
| Store fixtures and equipment | 966,171 | 162,287 | 42,679 | (450,954) | 634,825 |
| Property not used in operations .. | 6,969 | — | — | (1,034) | 5,935 |
| Capitalized leases | 75,516 | — | 11,877 | (22,726) | 40,913 |
| | \$3,370,464 | \$ 201,631 | \$ 59,854 | \$ (1,012,541) | \$2,499,700 |
| 52 Weeks Ended February 2, 1991: | | | | | |
| Land | \$ 511,006 | \$ 350 | \$ 188 | \$ (16,208) | \$ 494,960 |
| Buildings, substantially all on owned land | 1,106,055 | 10,702 | 6,642 | 19,937 | 1,130,052 |
| Buildings on leased land, improvements to leased properties and leaseholds | 780,617 | 14,539 | 12,115 | (86,245) | 696,796 |
| Store fixtures and equipment | 974,444 | 67,552 | 37,836 | (37,989) | 966,171 |
| Property not used in operations .. | 55,440 | — | 12,685 | (35,786) | 6,969 |
| Capitalized leases | 81,922 | — | 6,406 | — | 75,516 |
| | \$3,509,484 | \$ 93,143 | \$ 75,872 | \$ (156,291) | \$3,370,464 |

NOTES:

(A) Includes transfers to other assets of \$13,989,000, \$242,758,000 and \$156,291,000 in the years ended January 30, 1993, February 1, 1992 and February 2, 1991, respectively, and transfers between classifications. For the year ended February 1, 1992, also includes \$769,783,000 for adjustment to fair value as of February 1, 1992.

(B) Depreciation and amortization are provided primarily on a straight-line basis for book purposes over the shorter of estimated asset lives or lease terms. The more important rates are as follows:

| | |
|--|--------------------|
| Buildings and building equipment | 2% to 5% |
| Leaseholds | Over term of lease |
| Store fixtures and equipment | 6½% to 33½% |

SCHEDULE VI

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE VI — ACCUMULATED DEPRECIATION, DEPLETION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(thousands)

| Column A | Column B | Column C | Column D | Column E | Column F |
|--|--------------------------------|---|------------------|---------------------------------------|--------------------------|
| Classification | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Retirements | Other Changes — Add (Deduct) Describe | Balance at End of Period |
| (Note A) | | | | | |
| 52 Weeks Ended January 30, 1993: | | | | | |
| Buildings, substantially all on owned land | \$ — | \$ 39,970 | \$ 228 | \$ (103) | \$ 39,639 |
| Buildings on leased land, improvements to leased properties and leaseholds | — | 36,118 | 1,191 | (172) | 34,755 |
| Store fixtures and equipment | — | 123,230 | 13,783 | (319) | 109,128 |
| Property not used in operations .. | — | 361 | — | — | 361 |
| Capitalized leases | — | 5,875 | 290 | — | 5,585 |
| | <u>\$ —</u> | <u>\$ 205,554</u> | <u>\$ 15,492</u> | <u>\$ (594)</u> | <u>\$ 189,468</u> |
| 52 Weeks Ended February 1, 1992: | | | | | |
| Buildings, substantially all on owned land | \$ 137,253 | \$ 43,357 | \$ 1,880 | \$ (178,730) | \$ — |
| Buildings on leased land, improvements to leased properties and leaseholds | 125,066 | 39,357 | 3,126 | (161,297) | — |
| Store fixtures and equipment | 337,217 | 122,687 | 42,245 | (417,659) | — |
| Property not used in operations .. | 630 | 351 | — | (981) | — |
| Capitalized leases | 20,431 | 6,434 | 4,138 | (22,727) | — |
| | <u>\$ 620,597</u> | <u>\$ 212,186</u> | <u>\$ 51,389</u> | <u>\$ (781,394)</u> | <u>\$ —</u> |
| 52 Weeks Ended February 2, 1991: | | | | | |
| Buildings, substantially all on owned land | \$ 88,151 | \$ 45,167 | \$ 2,431 | \$ 6,366 | \$ 137,253 |
| Buildings on leased land, improvements to leased properties and leaseholds | 107,291 | 41,665 | 4,544 | (19,346) | 125,066 |
| Store fixtures and equipment | 258,361 | 132,315 | 31,861 | (21,598) | 337,217 |
| Property not used in operations .. | 5,674 | 1,373 | 6,417 | — | 630 |
| Capitalized leases | 15,684 | 7,175 | 2,428 | — | 20,431 |
| | <u>\$ 475,161</u> | <u>\$ 227,695</u> | <u>\$ 47,681</u> | <u>\$ (34,578)</u> | <u>\$ 620,597</u> |

NOTE:

- (A) Includes transfers to other assets of \$594,000, \$73,244,000 and \$34,578,000 in the years ended January 30, 1993, February 1, 1992 and February 2, 1991, respectively, and transfers between classifications. For the year ended February 1, 1992, also includes \$708,150,000 for the write off of accumulated depreciation as of February 1, 1992.

SCHEDULE VIII

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS
(thousands)

| Classification | Column A Balance at Beginning of Period | Column B (1) Charged to Costs and Expenses | Column C | | Column D Deductions from Reserves — Describe | Column E Balance at End of Period | | |
|---|--|--|--|-----------------|---|--|--|--|
| | | | Additions | | | | | |
| | | | (2) Charged to Other Accounts — Describe | | | | | |
| (Note A) | | | | | | | | |
| Accounts receivable — allowance for doubtful accounts (applied as a reduction of assets): | | | | | | | | |
| Years Ended: | | | | | | | | |
| January 30, 1993 | <u>\$59,193</u> | <u>\$52,025</u> | <u>\$ —</u> | <u>\$65,872</u> | <u>\$45,346</u> | | | |
| February 1, 1992 | <u>\$39,087</u> | <u>\$87,237</u> | <u>\$ —</u> | <u>\$67,131</u> | <u>\$59,193</u> | | | |
| February 2, 1991 | <u>\$40,290</u> | <u>\$58,210</u> | <u>\$ —</u> | <u>\$59,413</u> | <u>\$39,087</u> | | | |

NOTE:

(A) Excess of uncollectible balances written off over recoveries of accounts previously written off.

SCHEDULE IX

FEDERATED DEPARTMENT STORES, INC.
SCHEDULE IX -- SHORT-TERM BORROWINGS
(thousands, except interest rate data)

| Column A Category of Aggregate Short-Term Borrowings | Column B Balance at End of Period | Column C Weighted Average Interest Rate | Column D Maximum Amount Outstanding During the Period | Column E Average Amount Outstanding During the Period | Column F Weighted Average Interest Rate During the Period |
|---|--------------------------------------|--|--|--|--|
| | | | | (Note A) | (Note B) |
| Year Ended January 30, 1993: | | | | | |
| Accounts Receivable Facility (C) | \$ — | —% | \$715,433 | \$522,367 | 5.48% |
| Accounts Receivable Facility (D) | — | — | 478,064 | 207,387 | 6.39 |
| Year Ended February 1, 1992: | | | | | |
| Accounts Receivable Facility (C) | \$684,153 | 4.31% | \$684,153 | \$324,166 | 5.89% |
| Accounts Receivable Facility (D) | 458,269 | 4.54 | 520,452 | 427,060 | 6.07 |
| Year Ended February 2, 1991: | | | | | |
| Accounts Receivable Facility (C) | \$ — | —% | \$166,676 | \$ 8,293 | 14.24% |
| Accounts Receivable Facility (D) | 179,229 | 7.40 | 485,968 | 234,541 | 9.66 |

NOTES:

- (A) Average amount outstanding during the period is computed by dividing the total of daily outstanding principal balances by the number of days in the fiscal year.
- (B) Average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.
- (C) Accounts Receivable Facility of Federated Credit Corporation.
- (D) Accounts Receivable Facility of Allied Stores Credit Corporation.

SCHEDULE X

FEDERATED DEPARTMENT STORES, INC.

SCHEDULE X — SUPPLEMENTARY INCOME STATEMENT INFORMATION

(in thousands)

| Item | Charged to Costs and Expenses | | |
|------------------------|--|--|--|
| | 52 Weeks Ended January 30, 1993 | 52 Weeks Ended February 1, 1992 | 52 Weeks Ended February 2, 1991 |
| Advertising costs..... | \$ 296,339 | \$ 299,085 | \$ 293,086 |

NOTE:

All other information has been omitted since the amounts do not exceed 1% of the total sales reported in the related statement of income.

EXHIBIT 11.1

FEDERATED DEPARTMENT STORES, INC.
EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
(thousands, except per share data)

| | Shares | Income | 52 Weeks Ended January 30, 1993 |
|--|----------------|---------------|------------------------------------|
| Net income and average number of shares outstanding.... | <u>111,350</u> | | <u>\$113,009</u> |
| Earnings per share | | <u>\$1.01</u> | |
| Primary Computation: | | | |
| Average number of common share equivalents: | | | |
| Shares to be issued to the U.S. Treasury | 204 | | |
| Stock options | <u>34</u> | | |
| Adjusted number of common and common equivalent shares outstanding and adjusted net income | <u>111,588</u> | | <u>\$113,009</u> |
| Primary earnings per share | | <u>\$1.01</u> | |
| Fully Diluted Computation: | | | |
| Additional adjustments to a fully diluted basis: | | | |
| Stock options | <u>72</u> | | |
| Adjusted number of shares outstanding and net income on a fully diluted basis | <u>111,660</u> | | <u>\$113,009</u> |
| Fully diluted earnings per share | | <u>\$1.01</u> | |

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

REC'D SPC
APR 23 1993
L.F. 506

Exhibits

to

FORM 10-K

**Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934**

Volume 1

Federated Department Stores, Inc.

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document If Incorporated by Reference</u> |
|--------------------|--|--|
| 3.1 | Certificate of Incorporation of the Company (Annex A to the Agreement and Plan of Merger, dated as of February 4, 1992, by and between the Company and Allied) | Exhibit 3.1 to the Company's Registration Statement on Form 10, filed November 27, 1991, as amended (the "Form 10") |
| 3.1.1. | Certificate of Designation of Series A Junior Participating Preferred Stock of the Company | Exhibit 3.1.1 to the Form 10 |
| 3.2 | By-Laws of the Company | Exhibit 3.2 to the Form 10 |
| 4.1 | Certificate of Incorporation of the Company | See Exhibit 3.1 |
| 4.2 | By-Laws of the Company | See Exhibit 3.2 |
| 4.3 | Rights Agreement between the Company and the Rights Agent thereunder | Exhibit 4.3 to the Form 10 |
| 4.4 | Specimen Stock Certificate | Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-46902), filed April 1, 1992, as amended |
| 10.1 | Series A Warrant Agreement | Exhibit 10.6 to the Form 10 |
| 10.2 | Series B Warrant Agreement | Exhibit 10.7 to the Form 10 |
| 10.3 | Credit Agreement, dated as of May 20, 1992, (the "Working Capital Facilities Agreement") among the Company, the lenders named therein and Citibank, N.A., as Agent and Mellon Bank, N.A., Societe Generale, New York Branch and Chemical Bank, as Co-Agents (Composite Copy including Amendment No. 1 thereto) | — |
| 10.3.1 | Amendment No. 2, dated as of July 15, 1992 to the Working Capital Facilities Agreement | — |
| 10.3.2 | Amendment No. 3, dated as of October 29, 1992 to the Working Capital Facilities Agreement | — |
| 10.3.3 | Amendment No. 4, dated as of February 28, 1993 to the Working Capital Facilities Agreement | — |
| 10.4 | Series A Secured Note Agreement | Exhibit 10.2 to the Form 10 |
| 10.4.1 | Amendment No. 1, dated as of May 29, 1992 to the Series A Secured Note Agreement | — |
| 10.4.2 | Amendment No. 2, dated as of July 24, 1992 to the Series A Secured Note Agreement | — |
| 10.4.3 | Amendment No. 3, dated as of October 29, 1992 to the Series A Secured Note Agreement | — |
| 10.4.4 | Amendment No. 4, dated as of February 28, 1993 to the Series A Secured Note Agreement | — |

EXHIBIT INDEX -- Continued

| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|--|--|
| 10.5 | Shared Collateral Pledge Agreements | Exhibit 4.7 to the Form 10 |
| 10.6 | Shared Collateral Trust Agreement | Exhibit 4.8 to the Form 10 |
| 10.7 | Senior Convertible Discount Note Agreement | Exhibit 10.5 to the Form 10 |
| 10.8 | Senior Convertible Discount Note Indenture, dated as of April 8, 1993 between the Company and The First Bank of Boston, as Trustee | — |
| 10.8.1 | Form of Senior Convertible Discount Note | — |
| 10.9 | Loan Agreement, dated December 30, 1987 (the "Prudential Loan Agreement"), among Prudential Insurance of America, Allied and certain subsidiaries of Allied named therein | Exhibit 10.12 to Allied's Form 10-K Annual Report for the year ended January 2, 1988 |
| 10.9.1 | Amendment No. 1, dated as of December 29, 1988, to the Prudential Loan Agreement | Exhibit 10.9.1 to the Form 10 |
| 10.9.2 | Amendment No. 2, dated as of November 17, 1989, to the Prudential Loan Agreement | Exhibit 10.9.2. to the Form 10 |
| 10.9.3 | Amendment No. 3, dated as of February 5, 1992, to the Prudential Loan Agreement | Exhibit 10.9.3 to the Form 10 |
| 10.10 | Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992 (the "Pooling and Servicing Agreement"), among the Company, Prime, and Chemical Bank, as trustee | Exhibit 4.10 to Prime's Form 8-K Current Report, dated March 29, 1993 ("Prime's Form 8-K") |
| 10.11 | Series 1992-1 Supplement, dated as of December 15, 1992 to the Pooling and Servicing Agreement | Exhibit 4.6 to Prime's Registration Statement on Form 8-A, filed January 22, 1993, as amended ("Prime's Form 8-A") |
| 10.12 | Series 1992-2 Supplement, dated as of December 15, 1992 to the Pooling and Servicing Agreement | Exhibit 4.7 to Prime's Form 8-A |
| 10.13 | Series 1992-3 Supplement, dated as of January 5, 1993 to the Pooling and Servicing Agreement | Exhibit 4.8 to Prime's Form 8-K Current Report, dated January 29, 1993 |
| 10.14 | Receivables Purchase Agreement, dated as of December 15, 1992, among Abraham & Straus, Inc., Bloomingdale's Inc., Burdines, Inc., Jordan Marsh Stores Corporation, Lazarus, Inc., Rich's Department Stores, Inc., Stern's Department Stores, Inc., The Bon, Inc. and Prime | Exhibit 10.2 to Prime's Form 8-A |
| 10.15 | Depository Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Chemical Bank, as Depository | — |

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| <u>Exhibit No.</u> | <u>Description</u> | <u>Document if Incorporated by Reference</u> |
|--------------------|---|--|
| 10.16 | Liquidity Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company, the financial institutions named therein and Credit Suisse, New York Branch, as Liquidity Agent | — |
| 10.17 | Pledge and Security Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company, Chemical Bank, as Depositary and Collateral Agent and the Liquidity Agent | — |
| 10.18 | Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Goldman Sachs Money Markets, L.P. | — |
| 10.19 | Commercial Paper Dealer Agreement, dated as of December 31, 1992, among Deerfield Funding Corporation, the Company and Shearson Lehman Brothers Inc. | — |
| 10.20 | Tax Sharing Agreement | Exhibit 10.10 to the Form 10 |
| 10.21 | Ralphs Tax Indemnification Agreement | Exhibit 10.1 to the Form 10 |
| 10.22 | 1992 Executive Equity Incentive Plan | Exhibit 10.11 to the Form 10 |
| 10.23 | 1992 Incentive Bonus Plan | Exhibit 10.12 to the Form 10 |
| 10.24 | Form of Severance Agreement | Exhibit 10.13 to the Form 10 |
| 10.25 | Form of Indemnification Agreement | Exhibit 10.14 to the Form 10 |
| 10.26 | Master Severance Plan for Key Employees | Exhibit 10.1.5 to the Company's Form 10-K Annual Report for the year ended February 3, 1990 (the "1989 Form 10-K") |
| 10.27 | Performance Bonus Plan for Key Employees | Exhibit 10.1.6 to the 1989 Form 10-K |
| 10.28 | Senior Executive Medical Plan | Exhibit 10.1.7 to the 1989 Form 10-K |
| 10.29 | Employment Agreement, dated February 2, 1990, between Allen I. Questrom and the Company | Exhibit 10.1.8 to the 1989 Form 10-K |
| 10.30 | Supplementary Executive Retirement Plan, as amended | — |
| 10.31 | Comprehensive Settlement Agreement | Exhibit 10.15 to the Form 10 |
| 11.1 | Exhibit of Primary and Fully Diluted Earnings per Share | See Page E-1 |
| 22.1 | Subsidiaries of the Company | — |
| 24.1 | Consent of KPMG Peat Marwick | — |
| 25.1 | Powers of Attorney | — |

(b) Reports on Form 8-K. None.



**5161 River Road
Bethesda, MD 20816
(301) 951-1300**

**EXHIBITS
FOLLOW**

EXHIBIT 10.3

CREDIT AGREEMENT

Dated as of May 20, 1992

Among

FEDERATED DEPARTMENT STORES, INC.

as Borrower

and

THE LENDERS PARTIES HERETO

and

CITIBANK, N.A.

as Agent

and

MELLON BANK, N.A.

SOCIETE GENERALE, NEW YORK BRANCH

CHEMICAL BANK

as Co-Agents

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Exhibit B - Form of Notice of Borrowing

Exhibit C - Form of Notice of Conversion or Continuation

Exhibit D - Form of Assignment and Acceptance

Exhibit E - Form of Pledge Agreement

Exhibit F - Form of Subsidiary Guaranty

Exhibit G - Form of Letter of Credit Reimbursement
Agreement

Exhibit H - Form of Letter of Credit Request

Exhibit I - Form of Opinion of Counsel for the
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Exhibit K - Form of Pledged Stock Intercreditor Agreement

Exhibit L - Form of Intercreditor Agreement

Exhibit M - Form of Accountants Letter

CREDIT AGREEMENT, dated as of May 20, 1992, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions listed on the signature pages hereof (collectively, the "Lenders"), CITIBANK, N.A. ("Citibank"), as agent hereunder for the Lenders (as defined herein) (in such capacity, the "Agent") and Societe Generale, New York Branch ("Societe Generale"), Chemical Bank and Mellon Bank, N.A., as co-agents for the Lenders (in such capacity, the "Co-Agents").

W I T N E S S E T H :

WHEREAS, the Borrower has requested that the Lenders execute and deliver this Agreement (as hereinafter defined) to fund from time to time the ongoing working capital requirements of the Borrower and its Subsidiaries (as hereinafter defined); and

WHEREAS, the Lenders are willing to make funds available to the Borrower for such purposes upon the terms and subject to the conditions set forth herein; and

WHEREAS, the Borrower has requested that the Lenders listed on Schedule I (collectively the "Issuers") issue from time to time letters of credit, in each case not to exceed the amount set forth opposite such Issuers name on Schedule I, for the account of the Borrower and its Subsidiaries; and

WHEREAS, the Issuers are willing to issue letters of credit for such purpose upon the terms and subject to the conditions contained herein;

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

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted Current Assets" means, with respect to any Person at any date, the total consolidated current assets of such Person and its Subsidiaries at such date, determined in conformity with GAAP less the sum of (a) any proprietary credit card accounts receivables owned by any Finance Subsidiary (valued as set forth on the books of such Finance Subsidiary) plus (b) any deferred income tax benefit to the extent included in current assets on the consolidated balance sheet of the Borrower.

"Adjusted Current Liabilities" means, with respect to any Person at any date, the total consolidated current liabilities of such Person and its Subsidiaries at such date, determined in conformity with GAAP, less the sum, without duplication, of (a) the then aggregate outstanding principal amount of the Loans to the extent included in current liabilities, plus (b) the then outstanding principal amount of any Debt under the Receivables Credit Agreements to the extent included in current liabilities plus (c) any taxes payable to the extent included in current liabilities on the consolidated balance sheet of the Borrower.

"Affiliate" means, with respect to a particular Person, (a) any Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person, or (b) any Person who is a director or officer or general partner (i) of such Person, (ii) of any Subsidiary of such Person, or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power to elect the directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" means this Credit Agreement, together with all exhibits, schedules and annexes hereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Allied Pension Plan" means Part A of the Retirement Benefit & Profit Sharing-Investment Program of Allied Stores Corporation, a predecessor in interest to the Borrower, and its Subsidiaries.

"Allied-Prudential Real Estate Loan Agreement" means that certain Loan Agreement, dated as of December 30,

1987, by The Prudential Insurance Company of America, as lender, with Allied Stores Corporation, as applicant, and ASGREC, Al-Jordan Realty Corp., Auburndale Realty, Inc., Baygertz Realty, Inc., Clearmaas Realty Corp., Hampton Bays Plaza, Inc., Jordan Servicenter, Inc., Laundermarsh Realty Corp., Saramaas Realty Corp. and Seattle Northgate Company, as the borrowers, as the same may have been and may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof to and including the Closing Date.

"AMC" means Associated Merchandising Corporation, a Delaware corporation.

"Applicable Base Rate Margin" means 1.5% subject to (A) a reduction to 1.0%, in the event (i) the Fixed Charge Coverage Ratio for fiscal year 1992 or fiscal year 1993 equals or exceeds 1.10:1.0, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's chief financial officer certifying such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders or (ii) either S&P increases the rating of the Rated Debt to "BBB" or higher or Moody's increases the rating of the Rated Debt to "Baa2" or higher, such reduction to be effective for as long as the rating of the Rated Debt is "BBB" or higher or "Baa2" or higher, respectively, such adjustment to become effective five (5) Business Days after receipt by the Agent of a certificate by the chief financial officer of the Borrower certifying to such rating; and (B) a reduction to 0.5%, in the event the Fixed Charge Coverage Ratio for fiscal year 1992 and fiscal year 1993 equals or exceeds 1.10:1.0 and 1.15:1.0, respectively, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's chief financial officer certifying such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders. Notwithstanding the foregoing, in the event that either (A) S&P decreases the rating of the Rated Debt to "B" or lower or Moody's decreases the rating of the Rated Debt to "B2" or lower or (B) from and after the earlier of (x) the fiscal quarter end occurring closest to May 1, 1993, and (y) the date on which the Borrower files its report on Form 10-K with the Securities and Exchange Commission with respect to fiscal year 1992, the Rated Debt is rated "B" or lower by S&P or "B2" or lower by Moody's, the Applicable Base Rate Margin will equal 1.75% for so long as the rating

of the Rated Debt is "B" or lower or "B2" or lower, respectively, such adjustment to become effective five (5) Business Days after the date of such rating change, such fiscal quarter end or such filing date, as applicable.

"Applicable Eurodollar Rate Margin" means 2.5%, subject to (A) a reduction to 2.0%, in the event (i) the Fixed Charge Coverage Ratio for fiscal year 1992 or fiscal year 1993 equals or exceeds 1.10:1.0, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's chief financial officer certifying such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders or (ii) either S&P increases the rating of the Rated Debt to "BBB" or higher or Moody's increases the rating of the Rated Debt to "Baa2" or higher, such reduction to be effective for so long as the rating of the Rated Debt is "BBB" or higher or "Baa2" or higher, respectively, such adjustment to become effective five (5) Business Days after receipt by the Agent of a certificate by the chief financial officer of Borrower certifying to such rating; and (B) a reduction to 1.5%, in the event the Fixed Charge Coverage Ratio for fiscal year 1992 and fiscal year 1993 equals or exceeds 1.10:1.0 and 1.15:1.0, respectively, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's chief financial officer certifying such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders. Notwithstanding the foregoing, in the event that either (A) S&P decreases the rating of the Rated Debt to "B" or lower or Moody's decreases the rating of the Rated Debt to "B2" or lower or (B) from and after the earlier of (x) the fiscal quarter end occurring closest to May 1, 1993, and (y) the date on which the Borrower files its report on Form 10-K with the Securities and Exchange Commission with respect to fiscal year 1992, the Rated Debt is rated "B" or lower by S&P or "B2" or lower by Moody's, the Applicable Eurodollar Rate Margin will equal 2.75% for so long as the rating of the Rated Debt is "B" or lower or "B2" or lower, respectively, such adjustment to become effective five (5) Business Days after the date of such rating change, such fiscal quarter end or such filing date, as applicable.

"Applicable Lending Office" means, with respect to each Lender, its Domestic Lending Office in the case of a Base Rate Loan and its Eurodollar Lending Office in the case of a Eurodollar Rate Loan.

"ASGREC" means Allied Stores General Real Estate Company, a Delaware corporation.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, substantially in the form of Exhibit D.

"Authorized Officer" means, with respect to any Person, the Chief Financial Officer, the Treasurer, a financial Senior Vice President, or any financial Vice President of such Person.

"Available Credit" means, at any time, an amount equal to (i) the then effective Revolving Credit Commitments of the Lenders minus (ii) the sum of (a) the aggregate outstanding principal amount of the Revolving Credit Loans at such time, plus (b) the Letter of Credit Obligations at such time.

"Bankruptcy Code" means title 11 of the United States Code, as now in effect or hereafter amended.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of Ohio, Western Division, or, if such court ceases to exercise jurisdiction over the consolidated chapter 11 cases of the Borrower and its Subsidiaries, such court that exercises jurisdiction over such chapter 11 cases in place of the United States Bankruptcy Court for the Southern District of Ohio, Western Division.

"Bankruptcy Disclosure Statement" means that certain Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code for the Third Amended Joint Plan of Reorganization of Federated Department Stores, Inc., Allied Stores Corporation, and Certain of Their Subsidiaries, approved by order of the Bankruptcy Court dated October 28, 1991, and all exhibits thereto, including all amendments or supplements thereto.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall be equal at all times to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent) of (i) 1/2 of one percent per annum, plus (ii) the rate per annum obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100%, minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor thereto) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for Citibank in respect of liabilities consisting of or including (among other liabilities) three-month U.S. dollar nonpersonal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor thereto) for insuring U.S. dollar deposits of Citibank in the United States; and

(c) the sum (adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent) of (i) 1/4 of one percent per annum plus (ii) the Federal Funds Rate.

"Base Rate Loan" means that portion, if any, of the outstanding principal amount of the Loans of any Lender that bears interest with reference to the Base Rate.

"Borrower" has the meaning assigned to such term in the introductory paragraph of this Agreement.

"Borrowing" means a borrowing consisting of Loans made on the same day by the Lenders ratably according to their respective Commitments.

"Breakage Costs" has the meaning assigned to such term in Section 2.10(b).

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to a Eurodollar Rate Loan, a day on which dealings are also carried on in the London interbank market.

"Capital Expenditures" means, for any Person for any period, the sum, without duplication, of (a) the aggregate of all expenditures by such Person and its Subsidiaries, except interest capitalized during construction during such period for property, plant or equipment, including, without limitation, renewals, improvements, replacements and capitalized repairs, that would be reflected as additions to property, plant or equipment on a consolidated balance sheet of such Person and its Subsidiaries prepared in conformity with GAAP, plus (b) the aggregate outstanding principal amount of any Debt assumed or incurred in connection with any expenditures referred to in clause (a) above. For purposes of this definition, the purchase price of property which is acquired simultaneously with the trade-in of existing property owned or leased by such Person or any of its Subsidiaries or with insurance proceeds will be included in Capital Expenditures only to the extent of the gross amount of such purchase price less the credit granted by the seller or lessor of such property for the property being traded in at such time or the amount of such proceeds, as the case may be.

"Capital Lease" means, as to any Person, any lease of any property (whether real, personal, or mixed) by such Person or its Subsidiaries as lessee that would be capitalized on a balance sheet of such Person or its Subsidiaries prepared in conformity with GAAP, on a consolidated basis.

"Capital Lease Obligations" means, as to any Person, the capitalized amount of all obligations of such Person and its Subsidiaries under Capital Leases, as determined on a consolidated basis in conformity with GAAP.

"Cash and Cash Equivalents" means, with respect to any Person at any date, the total consolidated cash and Cash Equivalents of such Person and its Subsidiaries at such date, determined in conformity with GAAP.

"Cash Capital Expenditures" means Capital Expenditures made by any Person or any of its Subsidiaries other than by the incurrence or assumption of Debt.

"Cash Equivalents" means (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States government or any agency thereof, (b) certificates of deposit, eurodollar time deposits, overnight bank deposits and bankers' acceptances of any commercial bank organized under the laws of the United States or any state thereof or any branch of a foreign bank which is a Lender and having combined capital and surplus of at least \$100,000,000 and having maturities of one year or less from the date of acquisition, and (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of investments.

"Cash Interest Expense" means, for any Person for any period, the Net Interest Expense of such Person for such period, plus (a) interest expense capitalized during construction during such period to the extent deducted in the determination of such Net Interest Expense, less (b) Non-Cash Interest Expense of such Person during such period.

"Change of Control" means any "person" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) shall file a statement on Schedule 13D or otherwise publicly announce that such person beneficially owns shares representing in excess of 33% of the issued and outstanding capital Stock having the ordinary voting power to elect the directors of the Borrower; provided that securities directly issued by the Borrower to such person (and any other securities that are convertible or exchangeable into such securities) will be excluded for purposes of determining the percentage of shares so beneficially owned.

"Citibank" has the meaning assigned to such term in the introductory paragraph of this Agreement.

"Closing Agreement" means that certain closing agreement, dated September 27, 1991, among the IRS, Allied Stores Corporation, Federated Stores, Inc. and the Allied Stores Corporation Retirement Committee, including all appendices thereto.

"Closing Date" means the first day on which all of the conditions precedent set forth in Sections 3.1 and 3.3 and, if applicable, Section 3.2 have been satisfied or waived.

"Code" means the Internal Revenue Code of 1986 (or any successor legislation thereto), as amended from time to time and the regulations promulgated and rulings issued thereunder.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by any Loan Party in or upon which a Lien is granted under any of the Collateral Documents.

"Collateral Documents" means, collectively, the Pledge Agreement and any other agreement, instrument or document executed and delivered by a Loan Party in connection with the granting of a Lien on any of its property to secure payment and performance of the Obligations.

"Commitment" means, as to any Lender, the Revolving Credit Commitment of such Lender and "Commitments" means the aggregate Revolving Credit Commitments of all Lenders.

"Commitment Fee" has the meaning specified in Section 2.3(a).

"Contaminant" means any substance regulated or forming the basis of liability under any Environmental Law, including, without limitation, any hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, or any constituent of any such substance or waste, in each case to the extent so regulated or forming the basis of such liability.

"Contingent Obligation" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Debt or Contractual Obligation of another Person, if the purpose or

intent of such Person in incurring the Contingent Obligation is to provide assurance to the obligee of such Debt or Contractual Obligation that such Debt or Contractual Obligation will be paid or discharged, or that any agreement relating thereto will be complied with, or that any holder of such Debt or Contractual Obligation will be protected (in whole or in part) against loss in respect thereof but excluding any guaranty by the Borrower of (a) trade payables of an Operating Subsidiary in the ordinary course of business and (b) any other obligation of a Subsidiary to the extent all guaranty obligations pursuant to this clause (b) do not exceed \$10,000,000 in the aggregate at any time outstanding. Contingent Obligations of a Person include, without limitation, (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of an obligation of another Person, including, without limitation, reimbursement obligations in respect of any letter of credit issued for the account of the Borrower or any Subsidiary (whether or not the same constitutes Debt), and (b) any liability of such Person for an obligation of another Person through any agreement (contingent or otherwise) (i) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of a loan, advance, stock purchase, capital contribution or otherwise), (ii) to maintain the solvency or any balance sheet item, level of income or financial condition of another Person, (iii) to make take-or-pay or similar payments, if required, regardless of non-performance by any other party or parties to an agreement, (iv) to purchase, sell or lease (as lessor or lessee) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such obligation or to assure the holder of such obligation against loss, or (v) to supply funds to or in any other manner invest in such other Person (including, without limitation, to pay for property or services irrespective of whether such property is received or such services are rendered), if in the case of any agreement described under subclause (i), (ii), (iii), (iv) or (v) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported.

"Contractual Obligation" means, with respect to any Person, any obligation, agreement, undertaking or similar provision of any security issued by such Person or any agreement, undertaking, contract, lease, indenture, mortgage, deed of trust or other instrument to which such Person is a party or by which it or any of its property is bound or to which any of its properties is subject.

"Convertible Notes" means, collectively, the Senior Convertible Discount Notes issued by the Borrower pursuant to the Senior Convertible Discount Note Agreement, dated as of February 5, 1992, among the Borrower, the holders of the Convertible Notes, Citibank, N.A., as Convertible Note Agent, and The Sumitomo Bank, Limited, New York Branch, as Convertible Note Co-Agent, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Cumulative Non-Cash Variances" means, at any date, for the Borrower and its Subsidiaries, an amount equal to the sum of (a) the difference of (i) the actual cumulative amount of LIFO Expense from and after February 2, 1992, minus (ii) cumulative Planned LIFO Expense from and after February 2, 1992, plus (b) the difference of (i) the actual cumulative amount of Other Post-Employment Benefits Expense from and after February 2, 1992, minus (ii) cumulative Planned Other Post-Employment Benefits Expense from and after February 2, 1992. Cumulative Non-Cash Variances may be positive or negative.

"Debt" means, as applied to any Person, without duplication, (a) all obligations of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to standby letters of credit whether or not matured), (b) all obligations of such Person for the deferred purchase price of property or services, excluding obligations for property and services purchased, and expense accruals and deferred compensation items arising, in the ordinary course of business, but including, without limitation, Subsidiary Trade Obligations, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments (other than performance, surety and appeals bonds arising in the ordinary course of business), (d) all payment obligations created or arising under any conditional sale, deferred purchase price or other title retention agreement with respect to property acquired by such Person (unless the rights and remedies of the seller, lessor or lender under

such agreement in the event of default are limited to repossession or sale of such property), (e) any Capital Lease Obligation of such Person, (f) all reimbursement, payment or similar obligations of such Person, contingent or otherwise, under acceptance, letter of credit, or similar facilities (other than letters of credit in support of trade obligations), (g) all liabilities of such Person under Title IV of ERISA, (h) all liabilities of such Person in respect of Interest Rate Contracts, (i) any Contingent Obligation of such Person other than any Contingent Obligation with respect to an operating lease of any Subsidiary, and (j) all obligations referred to in clauses (a) through (c) and (e) through (i) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any mortgage or security interest in property (including, without limitation, accounts and general intangibles) owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations; provided that the amount of Debt of the type referred to in clauses (i) and (j) above will be included within the definition of "Debt" only to the extent of the amount of the obligations so guaranteed or otherwise supported.

"Default" means any event which with the passing of time or the giving of notice or both would become an Event of Default.

"Divisional Sales and EBITDA" means, with reference to a Semiannual Seasonal Business Plan, an estimate of sales and earnings prepared in conformity with the Borrower's internal accounting policies and practices which (a) shall not be required to constitute projections or forecasts prepared in conformity with GAAP, (b) may exclude real estate expenses, corporate allocations (including, without limitation, FACS and Federated Merchandising) and other intercompany items, (c) shall be prepared on an operating division basis and not a legal entity basis and (d) shall be prepared on a basis consistent with prior periods unless otherwise disclosed in writing by the Borrower to the Agent.

"DOL" means the United States Department of Labor, or any successor thereto.

"Dollars" and the sign "\$" each means the lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule II or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"EBITDA" means, for any Person for any period, the Net Income (Loss) of such Person and its Subsidiaries for such period taken as a single accounting period, plus (a) the sum of the following amounts (without duplication) of such Person for such period determined on a consolidated basis in conformity with GAAP to the extent included in the determination of such Net Income (Loss): (i) depreciation expense, (ii) amortization expense, (iii) amortization of reorganization value in excess of amounts allocable to identifiable assets and not otherwise amortized, (iv) Net Interest Expense, (v) extraordinary and unusual losses that are non-cash in nature and (vi) income tax expense, less (b) the sum of the following amounts (without duplication) of such Person determined on a consolidated basis in conformity with GAAP to the extent included in the determination of such Net Income (Loss): (i) extraordinary and unusual gains (and other gains on sales of assets outside of the ordinary course of business and not otherwise included in GAAP extraordinary gains in excess of \$1,000,000) of such Person for such period, and (ii) the Net Income (Loss) of any other Person that is accounted for by the equity method of accounting, except to the extent of the amount of dividends or distributions paid to such Person by such other Person.

"Eligible Assignee" means (a) a commercial bank organized under the laws of the United States, or any State thereof having total assets in excess of \$5,000,000,000 and a long term debt rating of "Baa2" or higher by Moody's or "BBB" or higher by S&P or its equivalent by a nationally recognized rating agency, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development ("OECD"), or a political subdivision of any such country, provided that such bank has total assets in excess of \$5,000,000,000 and a long term debt rating of "Baa2" or higher by Moody's or "BBB" or higher by S&P or its equivalent by a nationally recognized rating agency, is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD or the Cayman Islands, (c) the central bank of any country which is a member of the OECD, (d) a

commercial finance company or finance subsidiary of a corporation organized under the laws of the United States or any State thereof, an insurance company organized under the laws of the United States or any State thereof, or any other financial institution or fund normally engaged in financing transactions, reasonably acceptable to the Agent and having total assets in excess of \$300,000,000 and a long term debt rating of "Baa2" or higher by Moody's or "BBB" or higher by S&P or its equivalent by a nationally recognized rating agency, or (e) any other Person acceptable to the Agent; provided that no Person who, directly or indirectly, owns and operates a retail or department store offering clothing and/or home furnishings of the kind offered for sale by any of the Borrower's Subsidiaries shall be considered an Eligible Assignee unless such Person signs an appropriate confidentiality agreement.

"Eligible Issuer" means a commercial Bank which has capital and surplus in excess of \$250,000,000 and a rating of "A" or better (or the equivalent) by a nationally recognized rating agency.

"Environmental Laws" means all Federal, state and local laws, statutes, ordinances and regulations, now or hereafter in effect, and in each case as amended or supplemented from time to time, including, without limitation, any applicable judicial or administrative order, applicable consent decree or binding judgments relating to the regulation and protection of human health, safety, the environment and natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601, et seq.) ("CERCLA"), the Hazardous Material Transportation Act, as amended (49 U.S.C. §§ 180, et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. §§ 136, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901, et seq.) ("RCRA"), the Toxic Substance Control Act, as amended (42 U.S.C. §§ 7401, et seq.), the Clean Air Act, as amended (42 U.S.C. §§ 740, et seq.), the Federal Water Pollution Control Act, as amended (33 U.S.C. §§ 1251, et seq.), the Occupational Safety and Health Act, as amended (29 U.S.C. §§ 651, et seq.), and the Safe Drinking Water Act, as amended (42 U.S.C. §§ 300f, et seq.), and their state and local counterparts or equivalents and

any transfer of ownership notification or approval statutes such as the New Jersey Environmental Cleanup Responsibility Act (N.J. Stat. Ann. §§ 13:1K-6, et seq.) ("ECRA").

"Environmental Liabilities" means, as to any Person, all liabilities, legal or contractual obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including, without limitation, all fees, disbursements and expenses of counsel, experts and consultants and costs of investigation and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand by any other Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, including, without limitation, any thereof arising under any Environmental Law, Permit, order or agreement with any Governmental Authority or other Person, and which relate to any environmental, health or safety condition, or a Release or threatened Release, and result from the past, present or future operations of such Person or any of its Subsidiaries.

"Environmental Lien" means any Lien imposed pursuant to any Environmental Law in favor of any Governmental Authority for any Environmental Liability.

"Equity Plan" means the 1992 Executive Incentive Plan filed as Exhibit 10.19 to the Registration Statement, as the same may be amended, supplemented or otherwise modified from time to time in any manner except to increase the number of shares of Stock issued or issuable directly or indirectly thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with any Loan Party or any of its Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"ERISA Event" means (a) a Reportable Event with respect to a Title IV Plan or a Multiemployer Plan other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under the regulations promulgated pursuant to ERISA Section 4043, (b) the withdrawal of any Loan Party or any of its Subsidiaries or any ERISA Affiliate

from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (c) the complete or partial withdrawal of any Loan Party or any of its Subsidiaries or any ERISA Affiliate from any Multiemployer Plan, (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA, (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC, (f) the failure to make any required contribution to a Qualified Plan, or (g) any other event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule III (or, if no such office is specified, its Domestic Lending Office) or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate of interest determined by the Agent to be the rate per annum at which deposits in U.S. dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 5:00 P.M. (London time) two (2) Business Days before the first day of such Interest Period in an amount substantially equal to the Eurodollar Rate Loan of Citibank during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100%, minus the Eurodollar Rate Reserve Percentage for such Interest Period.

"Eurodollar Rate Loan" means that portion, if any, of the outstanding principal amount of the Loans of any Lender that, for an Interest Period, bears interest at a rate determined with reference to the Eurodollar Rate.

"Eurodollar Rate Reserve Percentage" means, for any Interest Period, the reserve percentage applicable two (2) Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined) having a term equal to such Interest Period.

"Event of Default" has the meaning assigned to such term in Section 8.1.

"Excess Cash" means, at any date, an amount equal to the difference of (a) the aggregate Liquidity Amount of the Borrower and its consolidated Subsidiaries on the last day of the fiscal year immediately preceding such date, minus (b) the Liquidity Reduction Amount on such date.

"FACS" means the division of the Borrower that has historically provided credit and collection services.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Finance Subsidiary" means any of Federated Credit Corporation, Federated Credit Holdings Corporation, Allied Stores Credit Corporation or Allied Stores Credit Holdings Corporation or any successor by merger to any of the foregoing.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of (a) EBITDA plus Non-Cash Variances of

the Borrower and its Subsidiaries for such period to
(b) Fixed Charges of the Borrower and its Subsidiaries for
such period.

"Fixed Charges" means, for any Person for any period, the sum of: (a) the Cash Interest Expense of such Person for such period, (b) the aggregate amount of scheduled repayments of principal of Debt for borrowed money of such Person or any of its Subsidiaries during such period determined on a consolidated basis in conformity with GAAP, (c) all cash dividends payable by such Person and its consolidated Subsidiaries on preferred stock in respect of such period, (d) the total amount of Federal income taxes actually paid by such Person during such period, and (e) Cash Capital Expenditures of such Person made during such period.

"Funding Arrangements" has the meaning assigned to such term in Section 2.10(b).

"Funding Ratio" means, with respect to any Title IV Plan, the proportion which the fair market value of the assets of such plan bears to such plan's accrued benefit liabilities of such Title IV Plan using the actuarial assumptions used by such Title IV Plan for funding purposes.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by any successor entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination; provided that, with respect to the calculation of each of the financial ratios and covenants contained in this Agreement and the definitions related thereto, "GAAP" means generally accepted accounting principles in effect in the United States on the Closing Date, it being understood that, upon any change in GAAP as at the Closing Date that affects in any material respect the financial ratios and covenants contained in this Agreement, the Borrower and the Agent will negotiate in good faith to adapt and/or conform any such financial ratios and covenants and the definitions related thereto to any such changes in GAAP to the extent necessary to maintain the original

economic terms of such financial ratios and covenants as in effect under this Agreement on the Closing Date.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Interest Expense" means, for any Person for any period, gross interest expense (including, without limitation, interest expense capitalized during construction during such period) of such Person and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP.

"Guarantor" means each Person which is a party to the Subsidiary Guaranty.

"Indemnitees" has the meaning assigned to such term in Section 10.4.

"Intercreditor Agreement" means an intercreditor agreement in substantially the form of Exhibit L, as the same may be amended, supplemented or modified from time to time.

"Interest Coverage Ratio" means, for any Person for any period, the ratio of (a) EBITDA plus Non-Cash Variances for such period to (b) Cash Interest Expense for such period.

"Interest Payment Date" has the meaning assigned to such term in Section 2.8(a).

"Interest Period" means, in the case of any Eurodollar Rate Loan, (i) initially, the period commencing on the date such Eurodollar Rate Loan is made or the date of conversion of a Base Rate Loan to such Eurodollar Rate Loan, as the case may be, and ending one (1), two (2), three (3) or six (6) months thereafter, as selected by the Borrower in its Notice of Borrowing or Notice of Conversion or Continuation given to the Agent pursuant to Section 2.7, and (ii) thereafter, if such Loan is continued, in whole or in part, as a Eurodollar Rate Loan pursuant to Section 2.7, a period commencing on the last day of the immediately preceding Interest Period therefor and ending one (1), two (2), three (3) or six (6) months thereafter, as selected by

the Borrower in its Notice of Borrowing or Notice of Conversion or Continuation given to the Agent pursuant to Section 2.7; provided that, all of the foregoing provisions relating to Interest Periods in respect of Eurodollar Rate Loans are subject to the following:

(A) if any Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to extend such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(B) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(C) the Borrower may not select any Interest Period which ends after the date of the scheduled principal payment on the Loans as set forth in Article II;

(D) the Borrower may not select any Interest Period in respect of Loans having an aggregate principal amount of less than \$10,000,000; and

(E) there shall be outstanding at any one time no more than four (4) Interest Periods.

Notwithstanding any of the foregoing, from the Closing Date through September 30, 1992, no Interest Period with respect to any Eurodollar Rate Loan shall exceed one (1) month.

"Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate insurance arrangement or any other agreement or arrangement designed to provide protection against fluctuations in interest rates.

"Investible Cash" means, at any date, Cash or Cash Equivalents held in one or more operating accounts under the sole dominion and control of the Borrower.

"Investments" means the making, owning or holding of any loan or advance to any Person, the owning or holding of any Stock, other equity interest, obligations or other securities of, or the making, owning or holding of any capital contribution to, any Person.

"IRS" means the Internal Revenue Service, or any successor thereto.

"Issuer" has the meaning assigned to such term in the third Whereas clause of this Agreement.

"Letter of Credit" means any letter of credit issued for the account of the Borrower or any of its Subsidiaries by an Issuer pursuant to Section 2.16.

"Letter of Credit Obligations" means, at any time, all liabilities at such time of the Borrower to all Issuers with respect to Letters of Credit, whether or not any such liability is contingent, and includes the sum of (i) the Reimbursement Obligations at such time plus (ii) the Letter of Credit Undrawn Amounts at such time.

"Letter of Credit Reimbursement Agreement" has the meaning assigned to such term in Section 2.16(c).

"Letter of Credit Request" has the meaning assigned to such term in Section 2.16(d).

"Letter of Credit Undrawn Amounts" means, at any time, the aggregate undrawn face amount of all Letters of Credit outstanding at such time.

"Leverage Ratio" means, at any date, the ratio of (a) the aggregate outstanding principal amount of Debt of the Borrower and its Subsidiaries at such date (including the Convertible Notes at the then accreted value thereof), excluding (i) any Debt of the Borrower or any of its Subsidiaries for borrowed money which is either (x) not secured or (y) subordinated (on terms satisfactory to the Agent) to the payment of the Obligations, other than the Subsidiary Trade Obligations, (ii) any Debt among the Borrower and any of its wholly-owned Subsidiaries, (iii) any Debt of the Borrower or any of its Subsidiaries in connection with undrawn obligations on documentary letters of credit, and (iv) Debt of any of the Borrower's Subsidiaries in connection with the Receivables Credit

Agreements, to (b) Tangible Net Worth of the Borrower and its Subsidiaries at such date.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Debt or other obligation, including, without limitation, any conditional sale, deferred purchase price or other title retention agreement, the interest of a lessor under a Capital Lease Obligation, any financing lease having substantially the same economic effect as any of the foregoing, and the filing, under the Uniform Commercial Code or comparable law of any jurisdiction, of any financing statement naming the owner of the asset to which such lien relates as debtor.

"LIFO Expense" means, for any period, the expense required to be recorded under GAAP to adjust the cost of goods sold during such period to reflect the most recent inventory purchase costs as a result of the use of the last-in-first-out inventory accounting method.

"Liquidity Amount" for the Borrower and its Subsidiaries means, at any date, an amount equal to the sum of (a) the aggregate amounts of Investible Cash at such date plus (b) the aggregate amount of the Unpurchased Eligible Receivables at such date (valued at the sales proceeds expected to be received in cash therefrom on such date).

"Liquidity Reduction Amount" means, at any date, the sum of (a) any outstanding Obligations (other than Letter of Credit Undrawn Amounts, if any) under this Agreement at such date, plus (b) \$300,000,000, plus (c) one-half of the Liquidity Amount on the date of computation which is in excess of \$300,000,000 but less than \$400,000,000.

"Loan Documents" means, collectively, this Agreement, the Revolving Credit Notes, the Subsidiary Guaranty, the Collateral Documents, the Pledged Stock Intercreditor Agreement, the Intercreditor Agreement and all other agreements, instruments, documents and certificates executed by or on behalf of any Loan Party and delivered to the Agent or any Lender, in their respective capacities as such, in connection with this Agreement or the transactions contemplated hereby.

"Loan Party" means the Borrower and each of its Subsidiaries which executes and delivers a Loan Document.

"Loans" means, collectively, the Base Rate Loans and the Eurodollar Rate Loans.

"Majority Lenders" means, at any time, Lenders holding at least 51% of the then aggregate unpaid principal amount of the Loans or, if no Loans and Letter of Credit Obligations are then outstanding, Lenders having at least 51% of the Commitments; provided that in the event any Lender shall fail to make a payment pursuant to any provision of Section 2.2, 2.13, 2.15 or 2.16, which failure constitutes a breach of any such provision and such failure shall continue for five (5) Business Days, such Lender's Loans and Commitments shall be treated as if they are not outstanding for purposes of calculating Majority Lenders hereunder, but only for so long as such Lender is in breach of its obligations hereunder.

"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 (i) the financial condition, business, results of operations or prospects of the Borrower and its Subsidiaries taken as one enterprise, (ii) the legality, validity or enforceability of any Loan Document, (iii) the attachment, perfection or priority of the Liens granted pursuant to the Collateral Documents, (iv) the ability of the Borrower to repay the Obligations or of any Loan Party to perform its obligations under any Loan Document, or (v) the rights and remedies of the Lenders or the Agent under the Loan Documents.

"Measurement Period" means, with reference to any fiscal quarter, the period commencing on the first day of the third fiscal quarter preceding such fiscal quarter and ending on the last day of such fiscal quarter; provided that, for each of the first three fiscal quarters ending after the Closing Date, "Measurement Period" means the period commencing on the first day of the fiscal year in which the Closing Date occurs and ending on the last day of such fiscal quarter.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, and to which any

Loan Party, any of its Subsidiaries or any ERISA Affiliate is making, is obligated to make, has made or has been obligated to make, within the five (5) years prior to the Closing Date, contributions on behalf of participants who are or were employed by any of them.

"Net Income (Loss)" means, for any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries for such period, determined on a consolidated basis in conformity with GAAP.

"Net Interest Expense" means, for any Person for any period, Gross Interest Expense of such Person and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, minus the following for such Person and its Subsidiaries determined on a consolidated basis in conformity with GAAP: (a) the sum of (i) interest capitalized during construction during such period, (ii) interest income during such period, and (iii) gains during such period on Interest Rate Contracts (to the extent not included in interest income above and to the extent not deducted in the calculation of such Gross Interest Expense), plus the following for such Person and its Subsidiaries determined on a consolidated basis in accordance with GAAP: (b) the sum of (i) losses for such period on Interest Rate Contracts (to the extent not included in such Gross Interest Expense), and (ii) the expensing or amortizing of up-front costs or fees during such period associated with Interest Rate Contracts (to the extent not included in Gross Interest Expense).

"Net Worth" of any Person means, at any date, the difference of (a) the Total Assets of such Person at such date, minus (b) the Total Liabilities of such Person at such date.

"Non-Cash Interest Expense" means, for any Person for any period, the sum of the following amounts to the extent included in Net Interest Expense of such Person for such period: (a) the amount of discount on Debt amortized in such period, (b) the amount of amortized financing costs which are capitalized in such period, and (c) charges relating to write-ups or write-downs in the book or carrying value of existing Debt in such period.

"Non-Cash Variances" means, for any period, for the Borrower and its Subsidiaries, an amount equal to the sum of (a) the difference of (i) the actual amount of LIFO

Expense for such period minus (ii) Planned LIFO Expense for such period, plus (b) the difference of (i) the actual amount of Other Post-Employment Benefits Expense for such period, minus (ii) Planned Other Post-Employment Benefits Expense for such period. Non-Cash Variances may be either positive or negative.

"Notes" means the Revolving Credit Notes.

"Notice of Borrowing" has the meaning specified in Section 2.2(a).

"Obligations" means the Loans, the Letter of Credit Obligations and all other advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Agent, any Lender, any Affiliate of the Agent or any Lender or any Indemnitee, of every type and description, present or future, whether or not evidenced by any note, guaranty or other instrument, arising under this Agreement or under any other Loan Document, whether or not for the payment of money, whether arising by reason of an extension of credit, opening or amendment of a Letter of Credit or payment of any draft drawn thereunder, loan, guaranty, indemnification, foreign exchange transaction or Interest Rate Contract or in any other manner, whether direct or indirect (including, without limitation, those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term "Obligations" includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements and any other sum chargeable to the Borrower under this Agreement or any other Loan Document.

"Offerings" has the meaning assigned to such term in Section 3.1(l)(i).

"Operating Subsidiaries" means the direct and indirect Subsidiaries of the Borrower listed on Schedule 1.2.

"Other Post-Employment Benefits Expense" means, for any period, the expense required to be recorded under GAAP representing the incremental cost of accruing for post-employment benefits (other than pensions) during the period that employees earn the benefits.

"Other Taxes" has the meaning assigned to such term in Section 2.14(b).

"PBG" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is not an individual account plan, as defined in Section 3(34) of ERISA, which any Loan Party, any of its Subsidiaries or, if a Title IV Plan, any ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them or with respect to which any Loan Party or an ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been terminated or were to be terminated.

"Permit" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable Requirement of Law.

"Permitted Investments" means (a) Investments in Cash Equivalents, (b) loans or advances made by the Borrower or any of its Subsidiaries in the ordinary course of business (i) to employees of the Borrower or any of its Subsidiaries for relocation expenses, tuition advances, and similar purposes, (ii) to vendors of the Borrower or any of its Subsidiaries in connection with in-store merchandising to be repaid either on a lump sum basis or over a period of time by the delivery of merchandise, (iii) to sublessees of the Borrower or any Subsidiary in an aggregate amount not to exceed \$2,500,000 at any time outstanding, and (iv) advances in addition to loans or advances permitted under clauses (i), (ii) and (iii), in an amount not to exceed \$30,000,000 at any time outstanding, (c) construction advances made by the Borrower or any of its Subsidiaries to developers, (d) Investments among the Borrower and its Subsidiaries who are Guarantors incurred in the ordinary course of business or otherwise expressly required under the decretal provisions of the Confirmation Order, (e) Investments among the Borrower and its Subsidiaries incurred in the ordinary course of business in connection with the Borrower's cash management system (as described on Schedule 1.1), (f) Interest Rate Contracts, (g) credit extended by the Borrower or any of its Subsidiaries to purchasers of assets pursuant to sales permitted under Section 7.4(a)(ii)(z) on

commercially reasonable terms and evidenced by promissory notes or similar instruments, (h) Investments of the Borrower in the capital Stock of its Subsidiaries as of the Closing Date, (i) Capital Expenditures and (j) intercompany notes between the Finance Subsidiaries.

"Permitted Liens" means (a) Liens securing (i) Debt permitted under subsections (a), (b), (c), (d) (only to the extent of Debt under Receivables Purchase Agreements secured by a Lien on accounts receivable), (e), (f), (g) and (h) of Section 7.2, and (ii) Contingent Obligations permitted under Section 7.12, (b) Liens incurred and pledges and deposits made in the ordinary course of business in connection with liability insurance, workers' compensation, unemployment insurance, old-age pensions and other social security benefits, other than in respect of employee benefit plans subject to ERISA, (c) Liens securing performance and surety bonds, and other obligations of like nature (which in no event include obligations for borrowed money) incurred in the ordinary course of business, (d) Liens on goods and documents securing trade letters of credit, (e) Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's and vendors' Liens, incurred in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate proceedings, (f) Liens securing the payment of taxes, assessments, and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves shall have been established on the books of the relevant corporation in conformity with GAAP, (g) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants, conditions or restrictions on the use of real property that do not materially impair the use of any parcel of property material to the operation of the business or the value of such property for the purpose of such business, (h) Liens on property existing at the time such property is acquired, (i) purchase money Liens upon or in any property acquired or held in the ordinary course of business to secure Debt incurred solely for the purpose of financing the acquisition of such property, (j) Liens set forth on Schedule 7.1, (k) Liens on the assets of the Borrower's Subsidiaries at the time such Subsidiaries are acquired, (l) extensions, renewals and replacements of Liens referred to in clauses (a) through (k) above; provided that any such extension, renewal, or replacement Lien is limited to the property or

assets covered by the Lien extended, renewed, or replaced and (m) cash collateral securing trade letters of credit in an amount not to exceed \$4,500,000. Notwithstanding any of the foregoing, no Lien on the Second Priority Pledge Stock shall be or constitute a Permitted Lien, except the Lien in favor of the holders of the Series A Notes and the Series B Notes in accordance with the Shared Collateral Trust Agreement, and the Lien in favor of the Agent and the Lenders pursuant to the Pledge Agreement.

"Permitted Refinancing Debt" has the meaning assigned to such term in Section 7.2(b).

"Person" means an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a Governmental Authority.

"Plan of Reorganization" means that certain Third Amended Joint Plan of Reorganization of Federated Department Stores, Inc., Allied Stores Corporation and certain of their Subsidiaries, dated October 28, 1991, as filed with the United States Bankruptcy Court for the Southern District of Ohio, Western Division, in Consolidated Case No. 1-90-00130, as the same may be amended, supplemented or otherwise modified from time to time.

"Planned LIFO Expense" means, for each fiscal quarter set forth below, the amount set forth opposite such fiscal quarter:

| <u>Fiscal Quarter Ending In</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| April 1992 | \$4,375,000 |
| July 1992 | 4,375,000 |
| October 1992 | 4,375,000 |
| January 1993 | 4,375,000 |
| April 1993 | 4,637,750 |
| July 1993 | 4,637,750 |
| October 1993 | 4,637,750 |
| January 1994 | 4,637,750 |
| April 1994 | 5,035,500 |
| July 1994 | 5,035,500 |
| October 1994 | 5,035,500 |
| January 1995 | 5,035,500 |
| April 1995 | 5,514,000 |

"Planned Other Post-Employment Benefits Expense"
means, for each fiscal quarter set forth below, the amount
set forth opposite such fiscal quarter:

| <u>Fiscal Quarter</u> <u>Ending In</u> | <u>Amount</u> |
|---|---------------|
| April 1992 | \$5,362,000 |
| July 1992 | 5,440,000 |
| October 1992 | 5,504,000 |
| January 1993 | 5,505,000 |
| April 1993 | 5,576,000 |
| July 1993 | 5,648,000 |
| October 1993 | 5,716,000 |
| January 1994 | 5,743,000 |
| April 1994 | 5,780,000 |
| July 1994 | 5,874,000 |
| October 1994 | 5,945,000 |
| January 1995 | 5,992,000 |
| April 1995 | 6,011,000 |

"Pledge Agreement" means an agreement, in substantially the form of Exhibit E, executed by the Borrower, as such agreement may be amended, supplemented or modified from time to time, pursuant to which the Borrower shall pledge to the Agent for the benefit of the Lenders the Pledged Stock on a first priority lien basis and grant to the Agent for the benefit of the Lenders a second priority lien on the Second Priority Pledged Stock.

"Pledged Stock" means the issued and outstanding capital stock of each of Abraham & Straus, Inc., The Bon, Inc., Jordan Marsh Stores Corporation, Lazarus, Inc., Stern's Department Stores, Inc., Allied Stores Credit Holdings Corporation, Allied Stores General Real Estate Company and BFC Real Estate Company; provided that, as long as either (a) S&P rates the Rated Debt "BBB" or higher or (b) Moody's rates the Rated Debt "Baa2" or higher, the capital stock of Allied Stores Credit Holdings Corporation, Allied Stores General Real Estate Company and BFC Real Estate Company shall not be subject to the lien created under the Pledge Agreement.

"Pledged Stock Intercreditor Agreement" means an agreement in substantially the form of Exhibit K, as the same may be amended, supplemented or modified from time to time.

"Pledged Subsidiaries" means each of the subsidiaries of the Borrower, the Stock of which is pledged (including the Second Priority Pledged Stock) to the Agent for the benefit of the Lenders pursuant to the Pledge Agreement.

"Qualified Plan" means an employee pension benefit plan, other than a Multiemployer Plan, as defined in Section 3(2) of ERISA, which is intended to be tax-qualified under Section 401(a) of the Code, and which any Loan Party, any of its Subsidiaries or any ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Ratable Portion" or "ratably" means, with respect to any Lender, the quotient obtained by dividing the aggregate principal amount of all Loans held by such Lender by the aggregate principal amount of all Loans held by all Lenders, and if no Loans are then outstanding, by dividing the Commitment of such Lender by the Commitments of all Lenders.

"Rated Debt" shall mean any senior secured long term debt of the Borrower, including, without limitation, the Series B Notes, which debt shall have been rated by Moody's or S&P based upon corporate credit and not structured debt criteria.

"Receivables Credit Agreements" means, collectively, (a) that certain Receivables-Backed Credit Agreement, dated as of November 13, 1990, among Federated Credit Corporation, as borrower, Pine Hill Funding Corporation, as lender, and General Electric Capital Corporation, as agent, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof and any refinancing thereof on terms reasonably acceptable to the Agent and the Majority Lenders, and (b) that certain Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Stores Credit Corporation, as borrower, Mason Funding Corporation, as lender, and Chemical Bank, as agent, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof and any refinancing thereof on terms reasonably acceptable to the Agent and the Majority Lenders.

"Receivables Purchase Agreement" means any agreement entered into by a Finance Subsidiary with the Borrower or any of its Subsidiaries governing the purchase by such Finance Subsidiary of accounts receivable of the Borrower and its Subsidiaries.

"Register" has the meaning assigned to such term in Section 10.7(c).

"Registration Statement" means the S-1 Registration Statement Registration Number 33-46902 filed by the Borrower with the Securities and Exchange Commission, as amended from time to time through the date hereof and the exhibits thereto or incorporated therein by reference.

"Reimbursement Obligations" means all matured reimbursement or repayment obligations of the Borrower to any Issuer with respect to Letters of Credit pursuant to Letter of Credit Reimbursement Agreements.

"Related Documents" means (a) any credit agreement, loan agreement, letter of credit facility, indenture or other agreement or instrument governing or evidencing any outstanding Debt issued under or in connection with the Plan of Reorganization, (b) any Receivables Purchase Agreement, (c) any Receivables Credit Agreement, (d) the Allied-Prudential Real Estate Loan Agreement, and (e) any agreement, document or instrument creating a Lien securing any of the foregoing Debt, other than the A/B Mortgages and Assignments (as defined in the Shared Collateral Trust Agreement).

"Release" means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal or leaching into the environment or into or out of any property owned by such Person, in each case of Hazardous Materials, including, without limitation, the movement of Contaminants through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions required to (a) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment, (b) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (c) perform

pre-remedial studies and investigations and post-remedial monitoring and care.

"Reportable Event" means any of the events described in Section 4043(b)(1), (2), (3), (5), (6), (8) or (9) of ERISA.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and all Federal, state and local laws, rules and regulations, including, without limitation, all Federal, state or local securities, antitrust and licensing laws, food, health and safety laws, and trade laws and requirements, including, without limitation, all disclosure requirements of Environmental Laws, ERISA and all orders, judgments, decrees or other determinations of any Governmental Authority or arbitrator, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" means, with respect to any Person, any of the principal executive officers or general partners of such Person.

"Restricted Payment" means (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of Stock of the Borrower now or hereafter outstanding, except a dividend payable solely in shares of such class of Stock to the holders of such class of Stock, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Stock of the Borrower now or hereafter outstanding, and (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Stock of the Borrower now or hereafter outstanding.

"Revolving Credit Borrowing" means a Borrowing consisting of Revolving Credit Loans made on the same day by the Lenders ratably according to their respective Revolving Credit Commitments.

"Revolving Credit Commitment" means, as to each Lender, the commitment of such Lender to make Revolving Credit Loans to the Borrower pursuant to Section 2.1 in the aggregate principal amount outstanding not to exceed the

amount set forth opposite such Lender's name on Schedule IV under the caption "Revolving Credit Commitment", as such amount may be reduced or modified pursuant to this Agreement.

"Revolving Credit Loan" means a Loan made by a Lender to the Borrower pursuant to Section 2.1.

"Revolving Credit Note" means a promissory note of the Borrower payable to the order of any Lender in a principal amount equal to the amount of such Lender's Revolving Credit Commitment as originally in effect, in substantially the form of Exhibit A, evidencing the aggregate Debt of the Borrower to such Lender resulting from the Revolving Credit Loans made by such Lender.

"S&P" shall mean Standard & Poors Corp.

"SABRE" means the division of the Borrower that has historically provided data processing services.

"Second Priority Pledged Stock" means the issued and outstanding capital stock of Bloomingdale's, Inc., Burdines, Inc. and Rich's Department Stores, Inc.; provided that (x) as long as the Rated Debt is rated "BBB" or higher by S&P or "Baa2" or higher by Moody's, then the Second Priority Pledged Stock need not be subject to the Lien created under the Pledge Agreement, or (y) in the event that the Series A Notes and the Series B Notes are refinanced on terms not materially less favorable to the Borrower (other than as to interest rate) and the debt incurred to effect such refinancing is not secured by a pledge of the Second Priority Pledged Stock, then the Second Priority Pledge Stock will be released from the Lien created under the Pledge Agreement.

"Semiannual Seasonal Business Plan" means that certain semiannual six-month operating plan of the Borrower which provides on a monthly basis a consolidated balance sheet and consolidated statements of operations and cash flows, and includes, without limitation, (a) an estimate of Divisional Sales and EBITDA, and (b) all information required to determine the Interest Coverage Ratio and Fixed Charge Coverage Ratio for the periods covered by such plan. Such financial statements shall be prepared (i) using the Borrower's internal accounting policies and practices but will not be required to constitute projections or forecasts prepared in accordance with GAAP and (ii) in a manner

consistent with the Borrower's past practice or as otherwise disclosed in writing by the Borrower to the Agent and the Lenders.

"Series A Notes" means, collectively, the promissory notes issued by the Borrower pursuant to that certain Series A Note Agreement, dated as of February 5, 1992, among the Borrower, the holders of the Series A Notes, Citibank, N.A., as Series A Agent, and The Sumitomo Bank, Limited, New York Branch, as Series A Co-Agent, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Series B Indenture" means that certain Indenture dated as of February 5, 1992, between the Borrower and Chemical Bank, as trustee, pursuant to which the Series B Notes were issued, as such indenture may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Series B Notes" means, collectively, the notes issued by the Borrower pursuant to the Series B Indenture.

"Series C Notes" means, collectively, the promissory notes issued by the Borrower pursuant to that certain Series C Note Agreement, dated as of February 5, 1992, among the Borrower, the lenders party thereto and Citibank, N.A. as Series C Agent and The Sumitomo Bank Limited, New York Branch, as Series C Co-Agent, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Series D Indenture" means that certain Indenture dated as of February 5, 1992, pursuant to which the Series D Notes were issued, between the Borrower and Bankers Trust Company as trustee, as such indenture may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Series D Notes" means, collectively, the notes issued by the Borrower pursuant to the Series D Indenture.

"Series E Notes" means, collectively, the promissory notes issued by the Borrower pursuant to that certain Series E Note Agreement dated as of February 5, 1992 between the Borrower, the lenders party thereto and Citibank, N.A., as Series E Agent, as such agreement may be

amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Series F LC Facility" means the Series Letter of Credit and Reimbursement Agreement, dated as of February 5, 1992, among the Borrower, the banks named therein and Citibank, N.A., as Series F Agent, as such agreement may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Shared Collateral Trust Agreement" means that certain Shared Collateral Trust Agreement, dated as of February 5, 1992, among the Borrower, the Other Pledgors named therein, the Mortgagors named therein, the Corporate Trustee named therein and the Individual Trustee named therein as Collateral Trustees, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Share Purchase Rights Agreement" means that certain share purchase rights agreement pursuant to which rights to purchase shares of Junior Participating Preferred Stock, par value \$.01 per share, of the Borrower may be issued to the stockholders of the Borrower, dated as of February 5, 1992, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Solvent" means, with respect to any Person at any date, that the value of the assets of such Person (both at fair value and present fair saleable value) is, on the date of determination, greater than the total amount of liabilities (including, without limitation, contingent and unliquidated liabilities) of such Person as of such date and that, as of such date, such Person is able to pay all liabilities of such Person as such liabilities mature and does not have unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Stock" means shares of capital stock, beneficial or partnership interests, participations or other equivalents (regardless of how designated) of or in a corporation or equivalent entity, whether voting or

non-voting, including, without limitation, common stock and preferred stock.

"Stock Equivalents" means all securities convertible into or exchangeable for Stock and all warrants, options or other rights to purchase or subscribe for any Stock, whether or not presently convertible, exchangeable or exercisable.

"Subsidiary" means, as applied with respect to any Person, any corporation, partnership, or other business entity of which more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation has or might have voting power upon the occurrence of any contingency) or, as to any partnership or other legal entity, ordinary equity capital interests, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries, or by one or more of such Person's other Subsidiaries.

"Subsidiary Guaranty" means a guaranty, in substantially the form of Exhibit F, executed by each Subsidiary of the Borrower listed on the signature pages thereof, as such guaranty may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Trade Obligations" means the Noncash Portion (as defined in the Plan of Reorganization) payable under Articles III.B.2.a.vi and III.C.3.a.vii of the Plan of Reorganization on account of Allowed Claims (as defined in the Plan of Reorganization) in Classes FR-6 and FO-4 and Classes AC-4, AR-7 and AO-7, respectively, of the Plan of Reorganization.

"Syndication Book" means that certain book of materials provided to the Lenders in connection with their Commitments and identified to the Borrower.

"Tangible Net Worth" of the Borrower and its Subsidiaries means, at any date, the Net Worth of the Borrower and its Subsidiaries on a consolidated basis at such date; excluding, (a) from the determination of the Total Assets of the Borrower and its Subsidiaries at such date (without duplication), (i) reorganization value in excess of amounts allocable to identifiable assets, (ii) all

goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (iii) treasury stock, to the extent not otherwise deducted from Net Worth, (iv) Investments in securities in excess of \$10,000,000 that are not readily marketable, excluding certain investments identified in writing to the Agent on or before the date hereof, and Investments classified as Capital Expenditures, (v) any net write-up in the book value of any asset resulting from a revaluation thereof to the extent not otherwise deducted from Net Worth, and (vi) any items not included in clauses (i) through (v) above that are treated as intangibles in conformity with GAAP, and (b) from the determination of the Total Liabilities of the Borrower and its Subsidiaries, 60% of the Cumulative Non-Cash Variances on or prior to such date.

"Taxes" has the meaning assigned to such term in Section 2.14(a).

"Termination Date" means the earliest of (i) June 30, 1992 unless the Closing Date occurs prior thereto, (ii) April 3, 1995 and (iii) the date of termination in whole of the Commitments pursuant to Section 2.5.

"Title IV Plan" means a Pension Plan, other than a Multiemployer Plan, which is covered by Title IV of ERISA.

"Total Assets" of any Person means, at any date, the total assets of such Person and its Subsidiaries (including, without limitation, in the case of the Borrower, the Finance Subsidiaries), determined on a consolidated basis in conformity with GAAP.

"Total Liabilities" of any Person means, at any date, all obligations which in accordance with GAAP would be included in determining total liabilities as shown on the liabilities side of a consolidated balance sheet of such Person and its Subsidiaries (including, without limitation, in the case of the Borrower, the Finance Subsidiaries) at such date.

"Unpurchased Eligible Receivables" means, at any date, proprietary credit card accounts receivable held by any Operating Subsidiary of the Borrower at such date which are eligible for sale under a Receivables Purchase Agreement

but which have not been sold to any Finance Subsidiary at such date.

"Welfare Benefit Plan" means an employee welfare benefit plan, as defined in Section 3(1) of ERISA, to which any Loan Party or any of its Subsidiaries maintains, contributes to, or has an obligation to contribute to, on behalf of its former or active employees (or their beneficiaries).

"Withdrawal Liability" means, as to any Loan Party at any time, the aggregate amount of the liabilities of any Loan Party or any of its Subsidiaries or any ERISA Affiliate pursuant to Section 4201 of ERISA, and any increase in contributions required to be made pursuant to Section 4243 of ERISA, with respect to all Multiemployer Plans.

"Working Capital Ratio" means, at any date, the ratio of Adjusted Current Assets at such date to Adjusted Current Liabilities at such date.

1.2. Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

1.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in conformity with GAAP and all accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made in conformity with GAAP.

1.4. Certain Terms. (a) The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular article, section, subsection or clause in this Agreement. References herein to an exhibit, schedule, annex, article, section, subsection or clause refer to the appropriate exhibit, schedule or annex to, or article, section, subsection or clause in this Agreement.

(b) The terms "Lender," "Issuer" and "Agent" include their respective successors and the term "Lender" includes each assignee of such Lender who becomes a party hereto pursuant to Section 10.7.

1.5. Certain Provisions. Each provision of this Agreement shall be given independent significance; accordingly, if any action is permitted by any provision of Article VI hereof and is prohibited by any provision of Article VII hereof or is a default under Article VIII hereof, the provisions of Articles VII and VIII hereof shall govern.

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS

2.1. The Revolving Credit Loans. On the terms and subject to the conditions contained in this Agreement, each Lender severally agrees to make loans (each a "Revolving Credit Loan") to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate amount not to exceed at any time outstanding such Lender's Revolving Credit Commitment; provided that at no time shall any Lender be obligated to make a Revolving Credit Loan in excess of such Lender's Ratable Portion of the Available Credit. Within the limits of each Lender's Revolving Credit Commitment, amounts prepaid pursuant to Section 2.6(b) or (c) may be reborrowed under this Section 2.1. The Revolving Credit Loans of each Lender shall be evidenced by the Revolving Credit Note payable to the order of such Lender.

2.2. Making the Loans. (a) Each Revolving Credit Borrowing shall be made on notice, given by the Borrower to the Agent not later than 1:00 P.M. (New York City time) on the Second Business Day prior to the date of the proposed Revolving Credit Borrowing; provided that if such Revolving Credit Borrowing is to be a Eurodollar Rate Loan, such notice must be received by the Agent not later than 11:00 A.M. (New York time). Each such notice (a "Notice of Borrowing") shall be in substantially the form of Exhibit B, specifying therein (i) the date of such proposed Revolving Credit Borrowing, (ii) the aggregate amount of such proposed Revolving Credit Borrowing, (iii) the amount thereof, if any, requested to be Eurodollar Rate Loans, and (iv) the initial Interest Period or Periods for any such Eurodollar Rate Loans. The Loans shall be made as Base Rate Loans unless (subject to Section 2.7) the Notice of Borrowing specifies that all or a portion thereof shall be Eurodollar Rate Loans; provided that the aggregate of the Eurodollar Rate Loans for each Interest Period must be in an

amount of not less than \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof.

(b) The Agent shall give to each Lender prompt notice of the Agent's receipt of a Notice of Borrowing and, if Eurodollar Rate Loans are properly requested in such Notice of Borrowing, the applicable interest rate under Section 2.8(b). Each Lender shall, before 11:00 A.M. (New York City time) on the date of the proposed Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 10.2, in immediately available funds, such Lender's Ratable Portion of such proposed Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(c) Each Borrowing shall be in an aggregate amount of not less than \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof.

(d) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any proposed Borrowing which the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such proposed Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including, without limitation, loss of anticipated profits), cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender to fund any Eurodollar Rate Loan to be made by such Lender as part of such proposed Borrowing when such Eurodollar Rate Loan, as a result of such failure, is not made on such date.

(e) Unless the Agent shall have received notice from a Lender prior to the date of any proposed Borrowing (the applicable ratable portion of which such Lender is obligated to advance) that such Lender will not make available to the Agent such Lender's Ratable Portion of such Borrowing (which notice will not relieve such Lender from any obligation hereunder), the Agent may assume that such Lender has made such Ratable Portion available to the Agent on the date of such Borrowing in accordance with this Section 2.2 and the Agent may, in reliance upon such

assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such Ratable Portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Agent such corresponding amount, such payment shall not relieve such Lender of any obligation it may have to the Borrower hereunder.

(f) The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

2.3. Fees. (a) The Borrower agrees to pay to each Lender a commitment fee (the "Commitment Fee") on the average daily unused portion of such Lender's Revolving Credit Commitment from the date hereof until the Termination Date at the rate of 0.5% per annum, payable in arrears on (i) each Interest Payment Date, commencing on October 1, 1992, (ii) the date of any reduction of the Revolving Credit Commitments pursuant to Section 2.4 and (iii) the Termination Date.

(b) The Borrower has agreed to pay to Citibank additional fees, the amount and dates of payment of which are embodied in a separate agreement between the Borrower and Citibank.

(c) The Borrower agrees to pay to each of the Lenders on the Closing Date non-refundable fees in accordance with those fee letters dated as of May 18, 1992, by and between the Borrower and each such Lender.

2.4. Reduction and Termination of the Commitments. The Borrower may, upon at least three Business

Days' prior notice to the Agent, terminate in whole or reduce ratably in part the unused portions of the respective Revolving Credit Commitments of the Lenders; provided that each partial reduction shall be in the aggregate amount of not less than \$20,000,000 or an integral multiple of \$5,000,000 in excess thereof.

2.5. Repayment. The Borrower shall repay the entire unpaid principal amount of the Revolving Credit Loans on the Termination Date and shall cash collateralize all then outstanding Letter of Credit Obligations in accordance with Section 8.3 hereof.

2.6. Prepayments. (a) The Borrower shall have no right to prepay the principal amount of any Revolving Credit Loan other than as provided in this Section 2.6.

(b) The Borrower may prepay the outstanding principal amount of the Revolving Credit Loans in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided that any prepayment of any Eurodollar Rate Loan shall be made on, and only on, the last day of an Interest Period for such Loan; provided that the Borrower may on no more than three occasions prepay Eurodollar Rate Loans on a date other than the last day of an Interest Period for such Loan if the Breakage Costs relating to such prepayment, if any, are paid at the time of the prepayment or such later time as such Lender provides the Borrower with a written calculation of such Lender's Breakage Costs pursuant to Section 2.10; and

(c) The Borrower shall prepay the outstanding balance of the Revolving Credit Loans and not effect any new Borrowings hereunder so that (i) for one period of at least forty-five (45) consecutive days beginning during the fourth fiscal quarter of 1992 and ending on or prior to February 15, 1993 and (ii) for one period of thirty (30) consecutive calendar days during the fourth fiscal quarter of each of 1993 and 1994 (each period referred to in clause (i) or (ii) being a "Reduction Period"), the outstanding balance of the Revolving Credit Loans is reduced to zero. During each Reduction Period, the Borrower will also hold a Liquidity Amount equal in the aggregate to the face amount of all Letter of Credit Undrawn Amounts relating to standby Letters of Credit.

2.7. Conversion/Continuation Option. The Borrower may elect (i) at any time to convert Base Rate

Loans or any portion thereof to Eurodollar Rate Loans,
(ii) at the end of any Interest Period with respect thereto, to convert Eurodollar Rate Loans or any portion thereof into Base Rate Loans, or to continue such Eurodollar Rate Loans or any portion thereof for an additional Interest Period; provided that the aggregate of the Eurodollar Loans for each Interest Period therefor must be in the amount of \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof. Each such election shall be substantially in the form of Exhibit C (a "Notice of Conversion or Continuation") and shall be made by giving the Agent at least two (2) Business Days' prior written notice thereof specifying (A) the amount and type of conversion or continuation, (B) in the case of a conversion to or a continuation of Eurodollar Rate Loans, the Interest Period therefor, and (C) in the case of a conversion, the date of conversion (which date shall be a Business Day and, if a conversion from Eurodollar Rate Loans, shall also be the last day of the Interest Period therefor). The Agent shall promptly notify each Lender of its receipt of a Notice of Conversion or Continuation and of the contents thereof.

Notwithstanding the foregoing, no conversion in whole or in part of Base Rate Loans to Eurodollar Rate Loans, and no continuation in whole or in part of Eurodollar Rate Loans upon the expiration of any Interest Period therefor, shall be permitted at any time at which a Default or an Event of Default shall have occurred and be continuing. If, within the time period required under the terms of this Section 2.7, the Agent does not receive a Notice of Conversion or Continuation from the Borrower containing a permitted election to continue any Eurodollar Rate Loans for an additional Interest Period or to convert any such Loans, then, upon the expiration of the Interest Period therefor, such Loans will be automatically converted to Base Rate Loans. Each Notice of Conversion or Continuation shall be irrevocable.

2.8. Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan from the date thereof until the principal amount thereof shall be paid in full, at the following rates per annum:

(a) Base Rate Loans. For Base Rate Loans, at a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Base Rate Margin, payable quarterly on the first day of each calendar quarter (each such first day being an "Interest Payment Date"), on the Termination Date and on the date any Base Rate Loan is

converted or paid in full; provided that during the continuance of an Event of Default, all Base Rate Loans shall bear interest, payable on demand, at a rate per annum equal at all times to 2% per annum above the Base Rate plus the Applicable Base Rate Margin in effect from time to time.

(b) Eurodollar Rate Loans. For Eurodollar Rate Loans, at a rate per annum equal at all times during the applicable Interest Period for each Eurodollar Rate Loan to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Eurodollar Rate Margin in effect on the first day of such Interest Period, payable on the last day of such Interest Period, on the Termination Date and, if such Interest Period has a duration of more than three months, accrued and unpaid interest shall be payable on each day during such Interest Period which occurs every three months from the first day of such Interest Period; provided that during the continuance of an Event of Default, all Eurodollar Rate Loans shall bear interest (but with no Breakage Cost to the extent any such cost would otherwise be applicable), payable on demand, at a rate per annum equal at all times to 2% above the Eurodollar Rate plus the Applicable Eurodollar Rate Margin in effect from time to time until the maturity of the Loans or the end of such Interest Period, whichever occurs first, and thereafter at the greater of (x) 2% per annum above the Base Rate plus the Applicable Base Rate Margin in effect from time to time or (y) 2% per annum above the rate per annum required to be paid on such Loan immediately prior to the date on which such Event of Default occurred.

2.9. Interest Rate Determination and Protection.

(a) The Eurodollar Rate for each Interest Period for Eurodollar Rate Loans shall be determined by the Agent two (2) Business Days before the first day of such Interest Period.

(b) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.9(a).

(c) If, with respect to Eurodollar Rate Loans, the Majority Lenders notify the Agent that the Eurodollar Rate for any Interest Period therefor will not adequately reflect the cost to such Majority Lenders of making such Loans or funding or maintaining their respective Eurodollar Rate Loans for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon:

(i) each Eurodollar Rate Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan; and

(ii) the obligations of the Lenders to make Eurodollar Rate Loans or to convert Base Rate Loans into Eurodollar Rate Loans shall be suspended until the Agent shall notify the Borrower that the Majority Lenders have determined that the circumstances causing such suspension no longer exist.

2.10. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation (other than any change by way of imposition or increase of reserve requirements included in determining the Eurodollar Rate Reserve Percentage) or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided that, before making any such demand, such Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Lender or its Eurodollar Lending Office to continue to fund or maintain Eurodollar Rate Loans and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent, by such Lender, shall be conclusive and binding for all purposes, absent manifest error. If the Borrower so notifies the Agent within five (5) Business Days after any Lender notifies the Borrower of any increased cost pursuant to the foregoing provisions of this Section 2.10, the Borrower may either (A) prepay in full all Eurodollar Rate Loans of such Lender then outstanding in accordance with Section 2.6(b) and, additionally, reimburse such Lender for such increased cost in accordance with this Section 2.10 or (B) convert all Eurodollar Rate Loans of all Lenders then outstanding into Base Rate Loans, in accordance with Section

2.7 and, additionally, reimburse such Lenders for such increased cost in accordance with this Section 2.10.

(b) The Borrower understands that in connection with the Lenders charging interest hereunder based on the Eurodollar Rate, the Lenders may enter into funding arrangements with third parties ("Funding Arrangements") on terms and conditions which could result in substantial losses to such Lenders if such Eurodollar Rate funds do not remain outstanding at the interest rates provided herein for the entire Interest Period with respect to which the Eurodollar Rate has been fixed. Consequently, if any Eurodollar Rate Loans are repaid in whole or in part prior to the last day of such Interest Period at the option of the Borrower, upon acceleration or pursuant to Section 2.11, the Borrower shall indemnify and hold harmless each Lender from and against and in respect of any and all losses, costs and expenses (such losses, costs and expenses, are collectively referred to herein as "Breakage Costs") resulting from, or arising out of or imposed upon or incurred by such Lender by reason of the liquidation or reemployment of funds acquired or committed to be acquired by such Lender to fund such Eurodollar Rate Loan pursuant to the Funding Arrangements. The amount of any Breakage Costs resulting in an obligation of the Borrower to make a payment pursuant to the foregoing sentence shall not include any losses attributable to lost profit to any Lender but shall represent the excess, if any, of (A) such Lender's cost of borrowing the Eurodollar Rate funds pursuant to the Funding Arrangements over (B) the return to such Lender on its reinvestment of such funds; provided that, if any Lender terminates any Funding Arrangements in respect of the Eurodollar Rate funds, the amount of such Breakage Costs shall include the cost to such Lender of such termination. In reinvesting any funds borrowed by any Lender pursuant to the Funding Arrangements, such Lender shall take into consideration the remaining maturity of such borrowings. As promptly as practicable under the circumstances, each Lender shall provide the Borrower with its written calculation of all Breakage Costs payable pursuant to this Section 2.10(b), and such calculation shall be conclusive and binding for all purposes absent manifest error. Notwithstanding the foregoing, in the event the Borrower shall give any Lender a reasonable written request for additional information with respect to the calculation of Breakage Costs, such Lender shall promptly provide the Borrower with such additional information.

2.11. Illegality. Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation, in each case after the Closing Date, shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender or its Eurodollar Lending Office to make Eurodollar Rate Loans or to continue to fund or maintain Eurodollar Rate Loans, then, on notice thereof and demand therefor by such Lender to the Borrower through the Agent, (i) the obligation of such Lender to make or to continue Eurodollar Rate Loans and to convert Base Rate Loans to Eurodollar Rate Loans shall terminate and (ii) the Borrower shall forthwith prepay in full all Eurodollar Rate Loans of such Lender then outstanding, together with interest accrued thereon, unless the Borrower, within five (5) Business Days of such notice and demand or, if legally permissible as determined by such Lender, at the end of the current Interest Period for such Eurodollar Rate Loans, converts all Eurodollar Rate Loans of all Lenders then outstanding into Base Rate Loans.

2.12. Capital Adequacy. If (a) the introduction of or any change in or in the interpretation of any law or regulation, (b) compliance with any law or regulation, or (c) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), affects or would affect the amount of capital required or expected to be maintained by any Lender or any corporation controlling any Lender and such Lender reasonably determines that such amount is based upon the existence of such Lender's Commitment and Loans and other commitments and loans of this type, including, without limitation, its commitments in respect of letters of credit (or similar contingent obligations) then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's Commitment or Loans and its Agreement herein with respect to the issuance and maintenance of Letters of Credit. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes absent manifest error.

2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 12:00 Noon (New York City time) on the day when due, in Dollars, to the Agent at the Agent's address referred to in Section 10.2 in immediately available funds without set-off or counterclaim. The Agent will promptly thereafter cause to be distributed immediately available funds relating to the payment of principal or interest or fees (other than amounts payable pursuant to Sections 2.3(b), 2.10, 2.11, 2.12 or 2.14) to the Lenders in accordance with their respective Ratable Portions of the Loans for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Payment received by the Agent after 12:00 Noon (New York City time) shall be deemed to be received on the next Business Day.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under any Loan held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate, the Eurodollar Rate and the Federal Funds Rate and all computations of fees shall be made by the Agent on the basis of a year of 360 days and for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest and fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; provided that, if such extension would cause payment of interest on or principal of any Eurodollar Rate Loan to be made in the next calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is

due hereunder to the Lenders that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

2.14. Taxes. (a) All payments by the Borrower hereunder or under the Obligations shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, (i) in the case of each Lender and the Agent, taxes measured by its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof, (ii) in the case of each Lender, taxes measured by its net income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, and (iii) in the case of each Lender organized under the laws of a jurisdiction outside of the United States, United States Federal withholding tax payable with respect to payments by the Borrower which would not have been imposed had such Lender, to the extent then required by Section 2.14(f), delivered to the Borrower and the Agent the forms prescribed by the first sentence of Section 2.14(f) (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Agent (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including, without limitation, deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (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 taxing authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies of the United States or any political subdivision thereof or any applicable foreign jurisdiction which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, the Loan Documents (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender or the Agent (as the case may be) and any liability (including, without limitation, for penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) calendar days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within thirty (30) calendar days after the date of any payment of Taxes or Other Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 10.2, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.14 shall survive the payment in full of principal and interest hereunder and under the Notes and all Obligations in respect of Letter of Credit Reimbursement Agreements.

(f) Prior to the Closing Date in the case of each Lender that is a signatory hereto, and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender and from time to time thereafter if either required by law due to a change in circumstances or reasonably requested by the Borrower or the Agent (unless such Lender is unable to do so by reason of a change in law (including, without limitation, any statute, treaty, ruling, determination or regulation) occurring subsequent to the Closing Date or date of any Assignment and Acceptance, as applicable), each Lender organized under the laws of a jurisdiction outside the United States shall

provide the Agent and the Borrower with an IRS Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the IRS certifying as to such Lender's entitlement to full exemption from United States withholding tax with respect to all payments to be made to such Lender hereunder and under the Notes. Unless the Borrower and the Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under any Note are not subject to United States withholding tax, the Borrower or the Agent shall, in the case of payments to or for any Lender organized under the laws of any jurisdiction outside of the United States, (i) withhold taxes from such payments at the applicable statutory rate, or at a rate reduced by an applicable tax treaty (provided that each of the Borrower and the Agent shall have received forms or other documents satisfactory to it indicating that such reduced rate applies), and (ii) pay such Lender such payment net of any taxes withheld.

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts which may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

2.15. Sharing of Payments, Etc. (a) If, in the case of any payment that is to be paid ratably to the Lenders, any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans held by it (other than pursuant to Section 2.10, 2.11, 2.12 or 2.14) in excess of its Ratable Portion of payments obtained by all the Lenders on account of the Loans, such Lender shall forthwith purchase from the other Lenders participations in such Loans as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of such other Lenders; provided that, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the

purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered.

(b) The Borrower agrees that any Lender purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including, without limitation, the right of set-off as provided herein or as otherwise permitted by law) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

2.16. Letter of Credit Facility. (a) On the terms and subject to the conditions contained in this Agreement, each Issuer agrees to issue one or more Letters of Credit at the request of the Borrower for the account of the Borrower or one or more of its Subsidiaries from time to time during the period commencing on the date hereof and ending ten (10) days prior to the Termination Date; provided that no Issuer shall issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain such Issuer from issuing such Letter of Credit or any Requirement of Law applicable to such Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuer shall prohibit, or request that such Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuer with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Issuer is not otherwise compensated) not in effect on the date hereof or result in any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Issuer as of the date hereof and which such Issuer in good faith deems material to it;

(ii) such Issuer shall have received written notice from the Agent, any Lender or the Borrower, on or prior to the Business Day prior to the requested date of issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article III is not then satisfied;

(iii) after giving effect to the issuance of such Letter of Credit, the Letter of Credit Obligations exceed \$150,000,000;

(iv) the amount of the Letter of Credit requested exceeds the Available Credit; or

(v) fees due in connection with a requested issuance have not been paid.

None of the Lenders (other than the Issuers) shall have any obligation to issue any Letters of Credit.

(b) In no event shall:

(i) the expiration date of any Letter of Credit be more than one (1) year after the date of issuance thereof, nor shall the expiration date of any Letter of Credit fall after the Termination Date; or

(ii) any Issuer issue any Letter of Credit for the purpose of supporting the issuance of any letter of credit by any other Person other than any Letter of Credit issued in support of obligations of AMC; or

(iii) any Issuer be required to issue any Letter of Credit unless they are reasonably satisfied with the form of such Letter of Credit.

(c) Prior to the issuance of each Letter of Credit, and as a condition of such issuance and of the participation of each Lender (other than the Issuer thereof) in the Letter of Credit Obligations arising with respect thereto, the Borrower shall have delivered to the Issuer thereof a letter of credit reimbursement agreement, in substantially the form of Exhibit G (a "Letter of Credit Reimbursement Agreement"), signed by the Borrower, and, in the case of a trade Letter of Credit, shall have granted to the Agent for the benefit of the Issuer and the Lenders, a security interest in the goods being shipped pursuant to such Letter of Credit and such other documents or items as may be required pursuant to the terms thereof. In the event of any conflict between the terms of any Letter of Credit Reimbursement Agreement and this Agreement, the terms of this Agreement shall govern.

(d) In connection with the issuance of each Letter of Credit, the Borrower shall give the Issuer thereof and the Agent at least two Business Days' prior written notice (a "Letter of Credit Request"), in substantially the form of Exhibit H, of the requested issuance of such Letter of Credit. Such notice shall be irrevocable and shall specify the stated amount of the Letter of Credit requested, the date of issuance of such requested Letter of Credit (which day shall be a Business Day), the date on which such Letter of Credit is to expire (which date shall be a Business Day and shall in no event be later than the dates set forth in Section 2.16(b)), the specific terms of such Letter of Credit and the Person for whose benefit the requested Letter of Credit is to be issued. Such notice, to be effective, must be received by such Issuer and the Agent not later than 12:00 noon (New York City time) on the last Business Day on which notice can be given under the immediately preceding sentence. Prior to the close of business on the Business Day following the Business Day on which the Agent first received such notice, the Agent shall confirm to the Issuer of the requested Letter of Credit that the applicable conditions in Article III and this Section 2.16 are satisfied on that Business Day.

(e) Subject to the terms and conditions of this Section 2.16 and provided that the applicable conditions set forth in Article III have been satisfied, such Issuer shall, on the requested date, issue a Letter of Credit on behalf of the Borrower in accordance with the Issuer's usual and customary business practices.

(f) Immediately upon the issuance by an Issuer of a Letter of Credit in accordance with the terms and conditions of this Agreement, such Issuer shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed irrevocably and unconditionally to have purchased and received from such Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Ratable Portion, in such Letter of Credit and the obligations of the Borrower with respect thereto (including, without limitation, all Letter of Credit Obligations with respect thereto) and any security therefor and guaranty pertaining thereto.

(g) In determining whether to pay under any Letter of Credit, no Issuer shall have any obligation relative to the Lenders other than to confirm that any documents required to be delivered under such Letter of

Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Issuer under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence and willful misconduct, shall not put such Issuer under any resulting liability to any Lender.

(h) In the event that any Issuer makes any payment under any Letter of Credit and the Borrower shall not have repaid such amount to such Issuer pursuant to Section 2.16(1), such Issuer shall promptly notify the Agent, which shall promptly notify each Lender of such failure, and each Lender shall promptly and unconditionally pay to the Agent for the account of such Issuer the amount of such Lender's Ratable Portion of such payment in Dollars and in same day funds. If the Agent so notifies such Lender prior to 11:00 A.M. (New York City time) on any Business Day, such Lender shall make available to the Agent for the account of such Issuer its Ratable Portion of the amount of such payment on such Business Day in same day funds. If and to the extent such Lender shall not have so made such Lender's Ratable Portion of the amount of such payment available to the Agent for the account of such Issuer, such Lender and the Borrower severally agree to repay to the Agent for the account of such Issuer forthwith on demand such amount together with interest thereon, for each day from such date until the date such amount is repaid to the Agent for the account of such Issuer, at (i) in the case of the Borrower, the interest rate applicable at the time to the Base Rate Loans and (ii) in the case of such Lender, at the Federal Funds Rate for a period of five (5) Business Days and thereafter a rate equal to the average rate at which the Loans are bearing interest hereunder. The failure of any Lender to make available to the Agent for the account of such Issuer its Ratable Portion of any such payment shall not relieve any other Lender of its obligation hereunder to make available to the Agent for the account of such Issuer its Ratable Portion of any payment on the date such payment is to be made, but no Lender shall be responsible for the failure of any other Lender to make available to the Agent for the account of any Issuer such other Lender's Ratable Portion of any such payment. If the Borrower shall repay to the Agent for the account of such Issuer such corresponding amount, such payment shall not relieve such Lender of any obligation it may have to the Agent or the Issuer hereunder.

(i) Whenever any Issuer receives a payment of a Reimbursement Obligation as to which the Agent has received for the account of such Issuer any payment from a Lender pursuant to Section 2.16(h), the Issuer shall pay to the Agent and the Agent shall promptly pay to each Lender which has paid such Lender's Ratable Portion thereof, in same day funds, an amount equal to such Lender's Ratable Portion of such payment.

(j) Upon the request of any Lender, each Issuer shall furnish to such Lender copies of any Letter of Credit Reimbursement Agreement to which such Issuer is a party and such other documentation as may reasonably be requested by such Lender.

(k) The obligations of the Lenders to make payments to the Agent for the account of each Issuer with respect to Letters of Credit shall be irrevocable and not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances (except as expressly provided in Section 2.16(g)), including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the Collateral Documents;

(ii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, any Issuer, any Lender or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including, without limitation, any underlying transaction between the Borrower and the beneficiary named in any Letter of Credit);

(iii) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Collateral Documents; or

(v) the occurrence of any Default or Event of Default.

(1) Each Issuer shall give the Borrower notice of each draft drawn under any Letter of Credit issued by such Issuer (a "Notice of Drawing") as promptly as practicable following such Issuer's receipt of such draft; provided that the failure on the part of any Issuer to give timely notice of any drawing under any Letter of Credit shall not affect (i) the right of such Issuer to give notice of such drawing at any later time, (ii) any rights or obligations of any other Issuer, any Lender or the Agent hereunder or under any other Loan Document or (iii) any Obligations in respect of any Letter of Credit Obligation, the Loans or otherwise. Each Notice of Drawing shall specify (x) the Letter of Credit under which the related draft is drawn, (y) the amount of such draft and (z) the date on which such draft was or is to be paid. The Borrower agrees to pay to each Issuer the amount of all Reimbursement Obligations owing to such Issuer under any Letter of Credit no later than the time specified in such Letter of Credit Reimbursement Agreement, irrespective of any claim, set-off, defense or other right which the Borrower may have at any time against such Issuer or any other Person; provided that, if the Borrower does not pay (either from the proceeds of a Borrowing or otherwise) any such Reimbursement Obligation when due, such Reimbursement Obligation shall immediately and automatically constitute, without necessity of further act or evidence, a loan made by the relevant Issuer or, to the extent the Agent has received any payments from Lenders for the account of such Issuer pursuant to Section 2.16(h), Loans made by such Lenders (which in the case of each Lender shall be an amount equal to such Lender's Ratable Portion of such Reimbursement Obligation) to the Borrower, in an aggregate principal amount equal to such Reimbursement Obligation remaining unpaid, payable in accordance with Section 2.5 hereof and computed from the date on which such Reimbursement Obligation arose to the date of repayment in full thereof at the rate of interest applicable to Revolving Credit Loans bearing interest at a rate based on the Base Rate during such period. If any payment made by or on behalf of the Borrower and received by any Issuer with respect to any Letter of Credit is rescinded or must otherwise be returned by such Issuer for any reason and if such Issuer has paid to the Agent for payment to any Lender such Lender's Ratable Portion thereof, each such Lender shall, upon notice by such Issuer, forthwith pay over to

such Issuer an amount equal to such Lender's Ratable Portion of the amount which must be so returned by such Issuer.

(m) The Borrower agrees to pay the following amounts with respect to Letters of Credit issued pursuant to the terms of this Section 2.16:

(i) to each Issuer, with respect to each standby Letter of Credit or documentary Letter of Credit issued by such Issuer, 0.5% per annum of the Letter of Credit Undrawn Amounts with respect to each such Letter of Credit, payable quarterly in arrears and calculated on the basis of a 360-day year for the actual number of days elapsed;

(ii) to the Agent for the ratable benefit of the Lenders, with respect to each standby Letter of Credit and documentary Letter of Credit, a commission equal to 2.0% and 1.5%, respectively, per annum of the Letter of Credit Undrawn Amounts with respect to each such Letter of Credit, payable quarterly in arrears and calculated on the basis of a 360-day year for the actual number of days elapsed; provided that during the continuance of an Event of Default, such commission shall be increased by 2% per annum and shall be payable on demand. The fees set forth in the preceding sentence are subject to a reduction of 0.5% in the event (i) the Fixed Charge Coverage Ratio for fiscal 1992 or fiscal 1993 equals or exceeds 1.10:1.0, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's chief financial officer certifying to such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders or (ii) either S&P increases the rating of the Rated Debt to "BBB" or higher or Moody's increases the rating of the Rated Debt to "Baa2" or higher, such reduction to be effective for so long as the rating of the Rated Debt is "BBB" or higher or "Baa2" or higher, respectively, such adjustment to become effective five (5) Business Days after receipt by the Agent of a certificate by the Borrower's chief financial officer certifying such rating; and a further reduction of 0.5% in the event the Fixed Charge Coverage Ratio for fiscal 1992 and fiscal 1993 equals or exceeds 1.10:1.0 and 1.15:1.0, respectively, such adjustment to become effective five (5) Business Days after the date of receipt by the Agent of a certificate by the Borrower's

chief financial officer certifying to such Fixed Charge Coverage Ratio, based upon audited financial statements of the Borrower delivered to the Lenders.

Notwithstanding the foregoing, in the event that (A) either S&P decreases the rating of the Rated Debt to "B" or lower or Moody's decreases the rating of the Rated Debt to "B2" or lower, or (B) from and after the earlier of (x) the fiscal quarter end occurring closest to May 1, 1993, and (y) the date on which the Borrower files its report on Form 10-K with the Securities and Exchange Commission with respect to fiscal year 1992, the Rated Debt is rated "B" or lower by S&P or "B2" or lower by Moody's, the fees hereunder will be increased to 2.25% and 1.75% respectively for so long as the rating of the Rated Debt is "B" or "B2" or lower, respectively, such adjustment to become effective five (5) Business Days after the date of such rating change, such fiscal quarter end, or such filing date, as applicable; and

(iii) to each Issuer, with respect to the issuance, amendment or transfer of each Letter of Credit and each drawing made thereunder, documentary and processing charges in accordance with such Issuer's standard schedule for such charges in effect at the time of issuance, amendment, transfer or drawing, as the case may be.

ARTICLE III

CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

3.1. Conditions Precedent to Initial Loans and Letters of Credit. The obligation of each Lender to make its initial Loan and of each Issuer to issue Letters of Credit is subject to the satisfaction of the conditions precedent that the Agent shall have received on the Closing Date the following, each dated the Closing Date unless otherwise indicated, in form and substance satisfactory to the Agent in the exercise of reasonable judgment and (except for the Notes) in sufficient copies for each Lender:

(a) The Notes payable to the order of each of the Lenders.

(b) Certified copies of (i) the resolutions of the Board of Directors of each Loan Party approving each

Loan Document to which it is a party, and (ii) all documents evidencing other necessary corporate action and required governmental and third party approvals, licenses and consents, if any, with respect to each Loan Document and the transactions contemplated thereby.

(c) A copy of the articles or certificate of incorporation of each Loan Party and of each of its Subsidiaries which is not a Loan Party, certified as of a recent date by, in the case of each Loan Party or Pledged Subsidiary, the Secretary of State of the state of incorporation of such Loan Party or Pledged Subsidiary and by the Secretary or Assistant Secretary of each Subsidiary in the case of all other Subsidiaries, together with certificates of the appropriate Governmental Authority attesting to the good standing of each such Loan Party and Subsidiary, and a copy of the certificate of incorporation and the By-Laws of each Loan Party and of each of its Subsidiaries certified as of the Closing Date by the Secretary or an Assistant Secretary of each Loan Party or Subsidiary.

(d) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of each officer of such Loan Party who has been authorized to execute and deliver any Loan Document or other document required hereunder to be executed and delivered by or on behalf of such Loan Party.

(e) A copy of each Related Document and amendments thereto executed and delivered after March 31, 1992, each of which amendments shall be in form and substance reasonably acceptable to each Lender, and the Registration Statement, each certified as being complete and correct by a Responsible Officer of the Borrower.

(f) The Subsidiary Guaranty, duly executed by each Guarantor which is a party thereto.

(g) The Pledge Agreement, duly executed by the Borrower together with:

(i) certificates representing the Pledged Stock and undated stock powers for such certificates executed in blank;

(ii) evidence that all action necessary to perfect and protect the Lien created by the Pledge Agreement has been taken;

(iii) UCC-1 financing statements with respect to dividends on and proceeds of such Pledged Stock; and

(iv) the Pledged Stock Intercreditor Agreement.

(h) A favorable opinion of Jones, Day, Reavis & Pogue, counsel to the Loan Parties, in substantially the form of Exhibit I, and as to such other matters as any Lender through the Agent may reasonably request.

(i) A certificate of the chief financial officer of the Borrower stating that the Borrower is Solvent after giving effect to the initial Loans, if any, and the application of the proceeds thereof in accordance with Section 4.16.

(j) A certificate, signed by a Responsible Officer of the Borrower, stating that each of the conditions specified in Section 3.3 has been satisfied.

(k) A copy of a letter from the Borrower's independent public accountants substantially in the form of Exhibit M hereto.

(l) Evidence, reasonably acceptable to the Agent that each of the following has occurred on or prior to the Closing Date:

(i) The Borrower shall have consummated a primary offering or offerings of its common stock on or prior to June 30, 1992 (collectively, the "Offerings"), and shall have received gross cash proceeds from the issuance and sale of stock in such Offerings of no less than \$445,000,000.

(ii) The Borrower shall have (A) prepaid all of the outstanding Series C Notes and Series E Notes, (B) delivered an irrevocable notice of prepayment to the holders of the Series D Notes in accordance with Section 3.02 of the Series D Indenture, (C) deposited with the Trustee (as defined in the Series D Indenture) an amount of money sufficient to prepay the Series D Notes in full on the Prepayment Date (as defined in the

Series D Indenture) (the Series C Notes, the Series D Notes and the Series E Notes being collectively the "Retired Debt"), and (D) terminated the Series F LC Facility and replaced or cash collateralized the letters of credit issued and outstanding thereunder in accordance with the terms thereof.

(iii) The Borrower shall have, on a ratable basis, (A) prepaid Series A Notes and (B) delivered an irrevocable notice of prepayment to the holders of the Series B Notes in accordance with Section 3.02 of the Series B Indenture, in an aggregate principal amount at least equal to \$900,000,000 less the aggregate principal amount of the Retired Debt. The Borrower shall have deposited with the Trustee (as defined in the Series B Indenture) an amount of money sufficient to prepay such ratable principal amount of the Series B Notes on the Prepayment Date (as defined in the Series B Indenture).

(iv) The Borrower shall have a Liquidity Amount equal to at least \$200,000,000, after giving effect to the prepayment and redemption of notes set forth in Sections 3.1(l)(ii) and (iii) hereof, but before giving effect to any Borrowings.

(v) All costs, accrued and unpaid fees and expenses (including, without limitation, reasonable legal fees and expenses) required to be paid to the Lenders on or before the Closing Date, including, without limitation, those referred to in Sections 2.3 and 10.4, to the extent then due and payable, shall have been paid.

(m) A certificate signed by a Responsible Officer of the Borrower stating that the insurance being maintained by the Borrower and its Subsidiaries is with responsible and reputable insurance companies and is in such amounts and covering such risks as is sufficient relative to the operating risks and the financial condition of the Borrower and its Subsidiaries.

(n) A certificate signed by a Responsible Officer of the Borrower certifying that on the Closing Date the following statements are true:

(i) Except as set forth on Schedule 3.1, there has been no change in the corporate, capital, tax

or legal structure of the Borrower or any of its Subsidiaries since February 5, 1992;

(ii) All necessary governmental and third party approvals required to be obtained by any Loan Party in connection with the transactions contemplated hereby and its obtaining the Loans and Letters of Credit, if any, have been obtained and remain in effect, and all applicable waiting periods, if any, have expired without any action being taken by any competent authority which restrains, prevents, impedes or delays the financing contemplated hereby or imposes materially adverse conditions upon the Borrower and its Subsidiaries taken as a whole;

(iii) There exists no judgment, order, injunction or other restraint prohibiting or imposing materially adverse conditions upon the consummation of the transactions contemplated hereby; and

(iv) There exists no claim, action, suit, investigation or proceeding (including, without limitation, shareholder or derivative litigation) pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or Governmental Authority which relates to the financing hereunder or which, if adversely determined, would have a Material Adverse Effect.

(o) A certificate signed by a Responsible Officer of the Borrower stating that (i) the projected financial information contained in the Syndication Book was prepared by the Borrower based upon the Borrower's long term strategic plan (the "Business Plan") as in effect on the date of such projections, (ii) the Business Plan was prepared in the ordinary course of the Borrower's business, (iii) such projections were prepared based upon reasonable estimates and assumptions, which were fair in light of the conditions in existence at the date of the preparation of such projections, (iv) such projections reflected a reasonable estimate of the Borrower's results of operations at such date and (v) the projections contained in the Syndication Book do not constitute a forecast or projections prepared in accordance with GAAP and are based on various assumptions, including with respect to general economic conditions, rates of change in comparable store sales, costs of sales, expense levels, capital expenditures, income and

other taxes, interest and inflation rates, and other matters.

(p) Such additional documents, information and materials as any Lender, through the Agent, may reasonably request.

3.2. Additional Conditions Precedent to Initial Loans and Letters of Credit. The obligation of each Lender to make its initial Loan or of each Issuer to issue its initial Letter of Credit is, if the Closing Date occurs more than seven (7) Business Days from the date hereof, subject to the further conditions precedent that:

(a) Nothing contained in any public disclosure made by the Borrower or its Subsidiaries after May 18, 1992 or in any information disclosed to the Lenders by the Borrower or any of its Subsidiaries after such date shall lead the Agent or any Lender, in its sole judgment, exercised reasonably, to determine that the business, financial condition, results of operations or prospects of the Borrower and its Subsidiaries (taken as a whole) are different in any material and adverse respect from that contained in public filings of the Borrower or its Subsidiaries prior to such date.

(b) The Majority Lenders in their sole judgment, exercised reasonably, shall have determined (i) that no event has occurred since February 5, 1992 which has had or is reasonably expected to have a Material Adverse Effect, and (ii) that there has not occurred since March 31, 1992 any adverse change which the Majority Lenders deem material, in their sole judgment, exercised reasonably, in the financial markets generally.

(c) No Lender, in its sole judgment, exercised reasonably, shall have determined that there is any claim, action, suit, investigation, litigation or proceeding (including, without limitation, shareholder or derivative litigation) pending or threatened in any court or before any arbitrator or Governmental Authority which, if adversely determined, would have a Material Adverse Effect.

3.3. Conditions Precedent to Each Loan and Letter of Credit. The obligation of each Lender to make any Loan (including, without limitation, its initial Loan) and of each Issuer to issue any Letter of Credit (including,

without limitation, its initial Letter of Credit) shall be subject to the further conditions precedent that:

(a) The following statements shall be true on the date of such Loan or issuance, before and after giving effect thereto and to the application of the proceeds therefrom and to such issuance (and the acceptance by the Borrower of the proceeds of such Loan or such Letter of Credit shall constitute a representation and warranty by the Borrower that on the date of such Loan or issuance such statements are true):

(i) The representations and warranties of the Borrower contained in Article IV and of each Loan Party in the other Loan Documents are correct on and as of such date as though made on and as of such date (except for representations and warranties made as of a specified date, which shall be correct as of such date); and

(ii) No Default or Event of Default is continuing or would result from the Loans being made or Letter of Credit being issued on such date.

(b) The making of the Loans or the issuance of such Letter of Credit on such date does not violate any Requirement of Law and is not enjoined temporarily, preliminarily or permanently.

(c) The Agent shall have received evidence, reasonably acceptable to it, on or prior to June 5, 1993 and March 5, 1993 respectively that a lender reasonably acceptable to Agent has committed to refinance or otherwise extend on terms reasonably acceptable to the Agent (or on substantially the same terms as reasonably determined by the Agent in its discretion) (i) the Receivables-Backed Credit Agreement, dated as of November 13, 1990, among Federated Credit Corporation, as borrower, Pine Hill Funding Corporation, as lender, and General Electric Capital Corporation, as agent, and (ii) the Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Stores Credit Corporation, as borrower, Mason Funding Corporation, as lender, and Chemical Bank, as agent.

(d) The Agent shall have received such additional documents, information and materials as any Lender or Issuer, through the Agent, may reasonably request.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

To induce the Lenders and the Agent to enter into this Agreement, the Borrower represents and warrants to the Lenders and the Agent that:

4.1. Corporate Existence; Compliance with Law.

Each Loan Party and each of its Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization; (ii) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where it conducts its business, except for failures to be so qualified and in good standing which in the aggregate have no Material Adverse Effect; (iii) has all requisite corporate power and authority and the legal right to own and operate its properties, to lease the property it operates under lease and to conduct its business as now or currently proposed to be conducted; (iv) is in compliance with all applicable Requirements of Law except for such non-compliances as in the aggregate would have no Material Adverse Effect; and (v) has all necessary licenses, permits, consents or approvals from or by, has made all necessary filings with, and has given all necessary notices to, each Governmental Authority having jurisdiction, to the extent required for such ownership, operation and conduct, except for licenses, permits, consents or approvals which can be obtained by the taking of ministerial action to secure the grant or transfer thereof or failures which in the aggregate would have no Material Adverse Effect.

4.2. Corporate Power; Authorization; Enforceable Obligations. (a) The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party and the consummation by each Loan Party of the transactions related to the financing contemplated hereby:

(i) are within such Loan Party's corporate power;

(ii) have been duly authorized by all necessary corporate action;

(iii) do not and will not (A) contravene any Loan Party's or any of its Subsidiaries' respective certificate of incorporation or by-laws or other

comparable governing documents, (B) violate any other applicable Requirement of Law (including, without limitation, and after giving effect to any borrowing hereunder or the application of the proceeds hereof, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System), or any order or decree of any Governmental Authority or arbitrator, (C) conflict with or result in the breach of, or constitute a default under, or result in or permit the termination or acceleration of, any Contractual Obligation of any Loan Party or any of its Subsidiaries, or (D) result in the creation or imposition of any Lien upon any of the property of any Loan Party or any of its Subsidiaries, other than those in favor of the Agent pursuant to the Collateral Documents; and

(iv) do not require the consent of, authorization by, approval of, notice to, or filing (other than the filing of UCC-1 financing statements) or registration with, any Governmental Authority or any other Person, other than those which have been or will be, prior to the Closing Date, obtained or made and copies of which in the case of those involving a Governmental Authority have been or will be delivered to the Agent pursuant to Section 3.1, each of which on the Closing Date will be in full force and effect.

(b) This Agreement has been and each of the other Loan Documents will have been upon delivery thereof pursuant to Section 3.1, duly executed and delivered by each Loan Party, party thereto. This Agreement is, and the other Loan Documents will be, when delivered hereunder, the legal, valid and binding obligation of each Loan Party which is a party thereto, enforceable against it in accordance with its terms.

4.3. Taxes. All Federal, state, local and foreign tax returns, reports and statements (collectively, the "Tax Returns") required to be filed by the Borrower and its Subsidiaries have been filed with the appropriate Governmental Authority in all jurisdictions in which such Tax Returns are required to be filed, all such Tax Returns are true and correct in all material respects, and all taxes, charges and other impositions due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof, except where contested in good faith and by appropriate proceedings if (i) adequate

reserves therefor have been established on the books of the Borrower, or such Subsidiary in conformity with GAAP and (ii) all such non-payments in the aggregate would have no Material Adverse Effect. Proper and accurate amounts have been withheld by the Borrower and each of its Subsidiaries from their respective employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable Federal, state, local and foreign law and such withholdings have been timely paid to the respective Governmental Authorities. Except as disclosed on Schedule 4.3, none of the Borrower or any of its Subsidiaries has (i) as of the date hereof, executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any charges; (ii) any issue or issues raised in any taxable year, period or transaction under audit as of the date hereof, by a Governmental Authority, which, if determined adversely to the Borrower or such Subsidiary, could on an aggregate basis impose a liability in excess of \$10,000,000; (iii) agreed or been requested as of the date hereof, to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise; or (iv) any obligation under any written tax sharing agreement other than that to which the Majority Lenders have consented.

4.4. Full Disclosure. (a) No information contained in this Agreement, the other Loan Documents, the Registration Statement, the Syndication Book (other than any projections contained therein), the financial statements delivered pursuant hereto, or any other written statement furnished by or on behalf of the Borrower or any of its Subsidiaries pursuant to the terms of this Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances in which they were made. All facts known to the Borrower which are material, in the reasonable opinion of the Borrower, to an understanding of the financial condition, business, properties or prospects of the Borrower and its Subsidiaries taken as one enterprise have been disclosed to the Lenders.

(b) The Borrower has delivered to each Lender a true, complete and correct copy of the Registration Statement.

(c) The Registration Statement complies in all material respects with all applicable requirements of all applicable state and Federal securities laws.

4.5. Financial Matters. (a) The consolidated balance sheet of the Borrower and its Subsidiaries as at February 1, 1992, and the related consolidated statements of income, retained earnings and cash flow of the Borrower and its Subsidiaries for the fiscal year then ended, certified by KPMG Peat Marwick fairly present, in all material respects, the consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the consolidated results of the operations of the Borrower and its Subsidiaries for the period ended on such dates, all in conformity with GAAP. The Blue Book Reports (as defined in Section 6.9(a)) which have been furnished to each Lender have been prepared in accordance with the standards set forth in Section 6.9(a) hereof.

(b) Since February 5, 1992, there have been no events or developments that in the aggregate could have a Material Adverse Effect.

(c) Except for liabilities or obligations (i) of a type referred to in any representation or warranty contained in Article IV of this Agreement and disclosed therein or in any Schedule to this Agreement, or which are not required to be so disclosed pursuant to the terms thereof or (ii) listed or described on Schedule 4.5(c), neither the Borrower nor any of its Subsidiaries has as of the date hereof, any material obligation, contingent liability or actual liability which is not reflected in the balance sheet at such date referred to in subsection (a) above or in the notes thereto.

(d) The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries (the "Pro Forma Balance Sheet"), a copy of which has been delivered to each Lender, has been prepared as of February 1, 1992, adjusted to give effect to the financing contemplated hereby and fees and expenses payable in connection therewith, and reflects as of such date, on a pro forma basis, the consolidated financial condition of the Borrower and its Subsidiaries as if the financing contemplated hereby had actually occurred and the conditions precedent thereto had actually been satisfied on such date.

(e) The Borrower is, and the Borrower and its Subsidiaries are, on a consolidated basis, Solvent.

4.6. Litigation. Except for claims for money damages alone of less than \$500,000 as to either any single claim or group of related claims arising out of a common nucleus of facts, there are no pending or, to the knowledge of the Borrower, threatened actions, investigations or proceedings affecting the Borrower or any of its Subsidiaries before any court, Governmental Authority or arbitrator, other than those that in the aggregate, if adversely determined, would have no Material Adverse Effect. The performance of any action by any Loan Party required or contemplated by any of the Loan Documents or the Related Documents is not restrained or enjoined (either temporarily, preliminarily or permanently), and no material adverse condition has been imposed by any Governmental Authority or arbitrator upon any of the foregoing transactions.

4.7. Ownership of Borrower; Subsidiaries. (a) The authorized capital stock of the Borrower consists of 250,000,000 shares of common stock, par value \$0.01 per share, of which 120,021,237 shares will be issued and outstanding on the Closing Date. All of the outstanding capital stock of the Borrower has been validly issued and is fully paid and non-assessable. No authorized but unissued shares, no treasury shares and, to the best knowledge of the Borrower, no other outstanding shares of capital stock of the Borrower are subject to any option, warrant, right of conversion or purchase or any similar right, except as disclosed in the Registration Statement or pursuant to the Equity Plan. Except pursuant to the Equity Plan and the Stock Transfer Restrictions (as defined in the Registration Statement), there are no agreements or understandings with respect to the voting, sale or transfer of any shares of capital stock of the Borrower or to the best knowledge of the Borrower any agreement restricting the transfer or hypothecation of any such shares.

(b) Schedule 4.7 hereto sets forth a complete and accurate list showing as of the date hereof all Subsidiaries of the Borrower and, as to each such Subsidiary, the jurisdiction of its incorporation or organization, the number of shares of each class of Stock authorized, the number outstanding on the date hereof and the percentage of the outstanding shares of each such class owned (directly or indirectly) by the Borrower, all as of the Closing Date. No Stock of any Subsidiary of the Borrower is subject to any

outstanding option, warrant, right of conversion or purchase or any similar right. All of the outstanding capital stock of each such Subsidiary has been validly issued, is fully paid and non-assessable and is owned by the Borrower, free and clear of all Liens except (i) for Permitted Liens and (ii) as disclosed in the Registration Statement. Neither the Borrower nor any such Subsidiary is a party to, or has knowledge of, any agreement which restricts the transfer or hypothecation of any shares of Stock of any such Subsidiary, except (i) the Loan Documents and (ii) as disclosed in the Registration Statement. The Borrower does not own or hold, directly or indirectly, any capital stock or equity security of, or any equity interest in, any Person other than (A) such Subsidiaries, (B) as described in the Registration Statement, (C) capital stock or equity interests purchased or obtained (i) as a result of the real estate activities of the Borrower and its Subsidiaries, (ii) in settlement of claims, (iii) otherwise in the ordinary course of business of the Borrower and its Subsidiaries with an aggregate fair market value not in excess of up \$1,000,000, or (iv) as listed or described on Schedule 4.7, (D) Permitted Investments and (E) the shares of Stock of Ralphs Supermarkets, Inc. owned on the Closing Date.

4.8. ERISA. (a) Schedule 4.8 separately identifies all Plans, all Qualified Plans, all Title IV Plans, all Multiemployer Plans, all unfunded Pension Plans and all Welfare Benefit Plans that provide retiree benefits (other than continuation coverage provided pursuant to Section 4980B of the Code), in each case, as of the Closing Date.

(b) As of the Closing Date, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the Code, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the Code, and since the Closing Date to the knowledge of the Borrower nothing has occurred which would cause the loss of such qualification or tax-exempt status.

(c) Each Qualified Plan is in compliance in all material respects with applicable provisions of ERISA and the Code, including, without limitation, the filing of reports required under the Code or ERISA and all such filings are true and correct in all material respects as of the date filed, all contributions, quarterly installments or other amounts due, required by section 412 of the Code or section 302 of ERISA or the terms of any such Qualified

Plan, have been timely paid, and with respect to each plan, other than a Qualified Plan, all required contributions and benefits have been paid in accordance with the provisions of each such plan, in each case to the extent that the failure to be in such compliance, to make such filings on a timely basis, completely or correctly or to make such contributions or other payment would have a Material Adverse Effect.

(d) There are no pending or, to the knowledge of the Borrower, threatened claims, actions or lawsuits (other than claims for benefits in the normal course), asserted or instituted against (i) any Qualified Plan or its assets, (ii) any fiduciary with respect to any Qualified Plan or (iii) the Borrower, any of its Subsidiaries or any ERISA Affiliate with respect to any Qualified Plan, that in the aggregate would, if decided adversely, have a Material Adverse Effect.

(e) Except as set forth on Schedule 4.8 or as referred to in the Registration Statement for OPEB Accrual to the extent that any of the following would have a Material Adverse Effect, (i) none of the Borrower, any of the Borrower's Subsidiaries or any ERISA Affiliate has incurred any Withdrawal Liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in any such liability), (ii) there has been no ERISA Event or event described in Section 4068 of ERISA with respect to any Title IV Plan, (iii) within the last five years none of the Borrower, any of its Subsidiaries or any ERISA Affiliate has engaged in a transaction which resulted in a Title IV Plan with unfunded liabilities being transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any such entity and (iv) no Plan which is a Welfare Benefit Plan provides for continuing benefits or coverage for any participant or any beneficiary of a participant after such participant's termination of employment (except as may be required by Section 4980B of the Code and at the sole expense of the participant or the beneficiary of the participant). The Borrower, each of its Subsidiaries and each ERISA Affiliate has complied with the notice and continuation coverage requirements of Section 4980B of the Code and the regulations thereunder, except for non-compliances which in the aggregate would have no Material Adverse Effect.

(f) Neither the Borrower nor any of its Subsidiaries has engaged in a prohibited transaction, as defined in Section 4975 of the Code or Section 406 of ERISA, in connection with any Plan, which would subject the Borrower or any of its Subsidiaries (after giving effect to any exemption) to a tax on prohibited transactions imposed by Section 4975 of the Code or any other liability, in either case that would have a Material Adverse Effect.

(g) Neither the Borrower nor any of its Subsidiaries or any ERISA Affiliate has any liability under any terminated "employee benefit plan", as defined in Section 3(2) of ERISA, of any related or unrelated entity that would have a Material Adverse Effect.

4.9. Liens. There are no Liens of any nature whatsoever on any properties of the Borrower or any of its Subsidiaries other than those permitted by Section 7.1. The Liens granted by the Loan Parties to the Agent pursuant to the Collateral Documents are fully perfected first priority Liens in and to the Collateral (other than the Second Priority Pledged Stock) or, in the case of the Second Priority Pledged Stock, fully perfected second priority Liens in and to the Second Priority Pledged Stock.

4.10. Related Documents. None of the Related Documents has been amended or modified in any respect and no provision therein has been waived following the date hereof, except to the extent permitted under Section 7.7(a) and no default or event which with the giving of notice or lapse of time or both would be a default has occurred thereunder.

4.11. No Burdensome Restrictions; No Defaults.

(a) No Loan Party nor any of its Subsidiaries (i) is a party to any Contractual Obligation the compliance with which would have a Material Adverse Effect or the performance of which will result, either unconditionally or upon the happening of an event, in the creation of a Lien (other than a Lien granted pursuant to a Loan Document or a Permitted Lien) on the property or assets of any thereof, or (ii) is subject to any charter or corporate restriction which would have a Material Adverse Effect.

(b) No Loan Party, none of their respective Subsidiaries and, to the knowledge of the Borrower, no other party is in default under or with respect to any Contractual Obligation owed by or to any Loan Party or any of its

Subsidiaries other than those defaults which in the aggregate would have no Material Adverse Effect.

(c) No Event of Default or Default has occurred and is continuing.

(d) To the best of the Borrower's knowledge there is no Requirement of Law the compliance with which by any Loan Party would have a Material Adverse Effect.

(e) Except as described in the Registration Statement, neither the Borrower nor any of its Subsidiaries is subject to any Contractual Obligation restricting or otherwise limiting its ability to declare or make any dividend payment or other distribution on account of any shares of any class of its Stock or on its ability to purchase, redeem, or otherwise acquire for value or make any payment in respect of any such shares or any shareholder rights, except pursuant hereto.

4.12. No Other Ventures. Except as set forth on Schedule 4.12, no Loan Party or any of its Subsidiaries is engaged at the date hereof in any joint venture or partnership with any other Person in which such Loan Party acts as general partner.

4.13. Investment Company Act. The Borrower is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

4.14. Insurance. The policies of insurance owned by or issued to the Borrower or any of its Subsidiaries, including, without limitation, policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation and employee health and welfare insurance, are in full force and effect and such policies, taken as a whole, are of a nature and provide such coverage as is sufficient and as is customarily carried by companies of the size and character of such Person.

4.15. Labor Matters. (a) There are no pending strikes, work stoppages, slowdowns or lockouts pending or threatened against or involving the Borrower or any of its Subsidiaries, other than those which in the aggregate would have no Material Adverse Effect.

(b) Except as set forth on Schedule 4.15, as of the date hereof, neither the Borrower nor any of its Subsidiaries are parties to, or have any obligations under, any collective bargaining agreement.

(c) There is no organizing activity involving the Borrower or any of its Subsidiaries pending or threatened by any labor union or group of employees, other than those which in the aggregate would have no Material Adverse Effect. There are no representation proceedings pending or threatened with the National Labor Relations Board, and no labor organization or group of employees of the Borrower or any of its Subsidiaries have made a pending demand for recognition, other than those which in the aggregate would have no Material Adverse Effect.

4.16. Use of Proceeds. The proceeds of the Loans and the Letters of Credit are being used by the Borrower solely for general working capital purposes; provided, that the parties hereto recognize that such proceeds may be commingled with other funds of the Borrower which funds may be used for working capital and other corporate purposes of the Borrower.

4.17. Environmental Protection. (a) The operations of the Borrower and each of its Subsidiaries comply with all Environmental Laws, including, without limitation, all applicable financial responsibility requirements (including, without limitation, those contained in 40 C.F.R. Parts 264 and 265, subpart H, and any state equivalents) except for any failures to comply that in the aggregate have no Material Adverse Effect;

(b) None of the Borrower or any of its Subsidiaries or any of their respective currently or previously owned, operated or leased property or operations is subject to any threatened or outstanding order from or agreement with any Governmental Authority or other Person or is subject to any judicial or docketed administrative proceeding respecting (i) Environmental Laws, (ii) Remedial Action or (iii) Environmental Liabilities arising from a Release or threatened Release, other than those the consequences of which in the aggregate would have no Material Adverse Effect;

(c) Neither the Borrower nor any of its Subsidiaries is or has been a treatment, storage or disposal facility requiring a permit under RCRA (as defined in the

definition of Environmental Law), the regulations thereunder or any state analog;

(d) Neither the Borrower nor any of its Subsidiaries has filed or failed to file any notice required under any applicable Environmental Law reporting a Release;

(e) There are no conditions or circumstances associated with or arising from the currently or previously owned, operated or leased properties or operations of the Borrower or any of its Subsidiaries or tenants which may give rise to Environmental Liabilities that in the aggregate have a Material Adverse Effect;

(f) No Environmental Lien and no unrecorded Environmental Lien that in the aggregate have a Material Adverse Effect have attached to any property of the Borrower or any of its Subsidiaries; and

(g) There is not now nor has there ever been located, in or under any of the property owned, leased or operated by the Borrower or any of its Subsidiaries (i) any underground storage tanks, (ii) surface impoundments, or (iii) any polychlorinated biphenyls ("PCBs") used in electrical or other equipment to the extent any of the above, in the aggregate, may have a Material Adverse Effect.

4.18. Transaction Costs and Fees. The actual amount of all costs, fees and expenses of the Loan Parties in connection with the Offerings contemplated hereby do not exceed 7% of the gross proceeds of the Offerings, plus reasonable and customary out-of-pocket expenses.

4.19. Intellectual Property. Except as set forth on Schedule 4.19, the Borrower and its Subsidiaries own or license or otherwise have the right to use all material licenses, permits, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, copyright applications, franchises, authorizations and other intellectual property rights that are necessary for the operations of their respective businesses, without infringement upon or conflict with the rights of any other Person with respect thereto, including, without limitation, all trade names associated with any private label brands of the Borrower or any of its Subsidiaries. Except as set forth on Schedule 4.19, to the best knowledge of the Borrower, no material slogan or other advertising device, product, process, method, substance,

part or other material now employed, or now contemplated to be employed, by any Loan Party or any of their respective Subsidiaries infringes upon or conflicts with any rights owned by any other Person, and no claim or litigation regarding any of the foregoing is pending or threatened.

4.20. Certain Debt. Schedule 4.20 separately identifies all Debt of the Borrower and its Subsidiaries as of the Closing Date which is either (i) for borrowed money, (ii) incurred outside of the ordinary course of the business or in a manner and to the extent inconsistent with past practice, or (iii) material to the financial condition, business, results of operations or prospects of the Borrower and its Subsidiaries taken as a whole.

4.21. Restricted Payments. Except as set forth on Schedule 4.21 and except as disclosed in the Registration Statement or as contemplated by Article III hereof, since February 5, 1992 and after giving effect to the transactions contemplated in the Plan of Reorganization the Borrower has not declared or made any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities with respect to any of its Debt or Stock that would have constituted a breach of the covenants contained in Section 7.3 hereof had such covenant applied to the Borrower and its Subsidiaries since February 5, 1992.

ARTICLE V

FINANCIAL COVENANTS

From and after the Closing Date and as long as any of the Obligations or Commitments remain outstanding, the Borrower agrees that it shall comply with each of the following financial covenants, all of which will be applicable to the Borrower and its Subsidiaries on a consolidated basis:

5.1. Leverage Ratio. Maintain a Leverage Ratio at the end of each fiscal quarter not in excess of the amount set forth below for such fiscal quarter:

| <u>Fiscal Quarter Ending In</u> | <u>Leverage Ratio</u> |
|--------------------------------------|---------------------------|
| July 1992 | 1.45:1.0 |
| October 1992 | 1.45:1.0 |
| January 1993 | 1.40:1.0 |
| April 1993 | 1.40:1.0 |
| July 1993 | 1.40:1.0 |
| October 1993 | 1.40:1.0 |
| January 1994 | 1.35:1.0 |
| April 1994 | 1.35:1.0 |
| July 1994 | 1.35:1.0 |
| October 1994 | 1.35:1.0 |
| January 1995 | 1.30:1.0 |
| April 1995; and thereafter | 1.30:1.0 |

5.2. Maintenance of Tangible Net Worth. Maintain a Tangible Net Worth at the end of each fiscal quarter of not less than an amount equal to the minimum amount set forth below for such fiscal quarter:

| <u>Fiscal Quarter Ending In</u> | <u>Minimum Amount</u> |
|-------------------------------------|-----------------------|
| July 1992 | \$1,450,000,000 |
| October 1992 | \$1,450,000,000 |
| January 1993 | \$1,500,000,000 |
| April 1993 | \$1,500,000,000 |
| July 1993 | \$1,500,000,000 |
| October 1993 | \$1,500,000,000 |
| January 1994 | \$1,600,000,000 |
| April 1994 | \$1,575,000,000 |
| July 1994 | \$1,550,000,000 |
| October 1994 | \$1,575,000,000 |
| January 1995; and thereafter | \$1,675,000,000 |

5.3. Fixed Charge Coverage Ratio. Maintain for each Measurement Period ending on a fiscal quarter end in January 1993 and thereafter a Fixed Charge Coverage Ratio not less than 1.00:1.0.

5.4. Interest Coverage Ratio. Maintain for each Measurement Period an Interest Coverage Ratio not less than the ratio set forth below for each fiscal quarter in which such Measurement Period ends:

| <u>Fiscal Quarter Ending</u> | <u>Minimum Interest Coverage Ratio</u> |
|--|--|
| In and after January 1993, and prior to November 1994 . . . | 2.5:1.0 |
| In January 1995 and thereafter | 2.75:1.0 |

5.5. Working Capital Ratio. Maintain at the end of each fiscal quarter a Working Capital Ratio not less than 1.2 to 1.

5.6. Cash Capital Expenditures. Not permit Cash Capital Expenditures made during each of the fiscal years set forth below to exceed the maximum amount set forth below for such fiscal year:

| <u>Fiscal Year Ending In</u> | <u>Maximum Amount of Cash Capital Expenditures</u> |
|----------------------------------|--|
| January 1993 | \$228,234,000 |
| January 1994 | 263,711,000 |
| January 1995 | 240,416,000 |

: provided, however, that, commencing with the fiscal year ending in January 1994, the Borrower may permit Cash Capital Expenditures to exceed the maximum amount set forth above for such fiscal year by an amount equal to the lesser of (i) 25% of the amount set forth above for the fiscal year immediately preceding such fiscal year and (ii) the difference of (A) the amount of Cash Capital Expenditures permitted under this covenant for the fiscal year immediately preceding such fiscal year (after giving effect to this proviso) minus (B) the actual amount of Cash Capital Expenditures made during such preceding fiscal year (the "Carry-Over Amount"). Notwithstanding the foregoing, the Carry-Over Amount shall in no event exceed an amount which could have been spent in the preceding fiscal year when aggregated with all Cash Capital Expenditures actually made in such year without exceeding the Fixed Charge Coverage Ratio for the last fiscal quarter of such year.

5.7. Liquidity Amount. Not permit the Liquidity Amount at the end of the fiscal quarter ending nearest to January 31 of each fiscal year, excluding any outstanding Revolving Credit Loans, to be less than \$250,000,000.

ARTICLE VI
ADDITIONAL AFFIRMATIVE COVENANTS

As long as any of the Obligations or the Commitments remain outstanding, unless the Majority Lenders otherwise consent in writing, the Borrower agrees with the Lenders and the Agent that:

6.1. Compliance with Laws, Etc. The Borrower shall comply, and shall cause each of its Subsidiaries to comply, in all material respects with all Requirements of Law, Contractual Obligations, commitments, instruments, licenses and Permits, other than such non-compliances the consequences of which in the aggregate would have no Material Adverse Effect.

6.2. Conduct of Business. The Borrower shall (a) conduct, and shall cause each of its Subsidiaries to conduct, its business in the ordinary course and consistent with past practice, except as otherwise disclosed to the Agent and the Lenders on the date hereof, (b) use, and cause each of its Subsidiaries to use, its reasonable efforts, in the ordinary course and consistent with past practice, to (i) preserve its business and the goodwill and business of the customers, advertisers, suppliers and others having business relations with the Borrower or any of its Subsidiaries, and (ii) keep available the services and goodwill of its present employees, (c) preserve, and cause each of its Subsidiaries to preserve, any and all registered patents, trademarks, trade names, copyrights and service marks with respect to its business, and (d) perform and observe, and cause each of its Subsidiaries to perform and observe, all the terms, covenants and conditions required to be performed and observed by it under its Contractual Obligations (including, without limitation, to pay all rent and other charges payable under any lease and all debts and other obligations as the same become due), and do, and cause its Subsidiaries to do, all things necessary to preserve and to keep unimpaired its rights under such Contractual Obligations, except, in the case of each of clauses (a) through (d), where the failure to do so would not have a Material Adverse Effect.

6.3. Payment of Taxes, Etc. The Borrower shall pay and discharge, and shall cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, all lawful governmental claims, taxes,

assessments, charges and levies, and all other claims that if not paid would result in a Lien on any property of the Borrower or its Subsidiaries, except in each case where contested in good faith, by proper proceedings, if adequate reserves therefor have been established on the books of the Borrower or the appropriate Subsidiary in conformity with GAAP and if all such non-payments in the aggregate would have no Material Adverse Effect.

6.4. Maintenance of Insurance. The Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, insurance with reputable and responsible (in light of then existing conditions in the insurance industry) 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 the Borrower or such Subsidiary operates, and, in any event, all insurance required by any Collateral Document, except where the failure to maintain the insurance otherwise required by this Section 6.4 would not have a Material Adverse Effect. The Borrower will furnish to the Agent from time to time such information as may be requested as to such insurance and to the extent requested satisfactory evidence of such insurance coverage.

6.5. Preservation of Corporate Existence, Etc. The Borrower shall preserve and maintain, and shall cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises, its registered trademarks, trade names and service marks, except as permitted under Section 7.4 and where the failure to so preserve and maintain would not have a Material Adverse Effect.

6.6. Access. The Borrower shall, at any reasonable time and from time to time, (a) permit the Agent, any Co-Agent or any of the agents or representatives of any of the foregoing, to (i) examine and make copies of and abstracts from the records and books of account of the Borrower and each of its Subsidiaries, (ii) visit the properties of the Borrower and each of its Subsidiaries, and (iii) communicate directly with the Borrower's independent certified public accountants and (b) permit any Lender, or any agent or representative of any Lender, to discuss the affairs, finances and accounts of the Borrower and each of its Subsidiaries with any of their respective officers; provided that, notwithstanding the foregoing, so long as no

Default or Event of Default shall have occurred and be continuing, the Borrower shall not be required to permit any Person set forth in this sentence to take any action set forth in clauses a(i), a(ii) (with respect to any property other than a store), a(iii) or (b) of this sentence unless the Borrower shall have received a request from such Person to take any such action not less than twenty-four (24) hours prior to the taking of any such action. The Borrower hereby irrevocably authorizes its independent certified public accountants to disclose to Persons set forth in the preceding sentence any and all financial statements and other information of any kind, including, without limitation, copies of any management letter, or the substance of any oral information that such accountants may have with respect to the business, financial condition or results of operations of the Borrower or any of its Subsidiaries.

6.7. Keeping of Books. The Borrower shall make and keep and shall cause each of its Subsidiaries to make and keep, proper books, records and accounts that are in conformity with GAAP and in reasonable detail which accurately and fairly reflect the transactions and dispositions of the assets of the Borrower and its Subsidiaries.

6.8. Maintenance of Properties, Etc. The Borrower shall maintain and preserve, and shall cause each of its Subsidiaries to maintain and preserve, (a) all of its properties which are used or useful or necessary in the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) all rights, permits, licenses, approvals and privileges (including, without limitation, all Permits) which are used or useful or necessary in the conduct of its business, except, in the case of each of clauses (a) and (b), as otherwise permitted pursuant to Section 7.4 or where the failure to do so would not have a Material Adverse Effect.

6.9. Financial Statements. The Borrower shall furnish to each of the Lenders:

(a) as soon as available and in any event within thirty (30) calendar days after the end of each fiscal month a report, substantially in the form of Exhibit J (each a "Blue Book Report"), which shall include, without limitation, the following information: consolidated balance sheets of the Borrower and its Subsidiaries as of the end of

such month, consolidated statements of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal month, and divisional balance sheets and profit and loss statements for such month and the period commencing at the end of the previous fiscal year and ending with the end of such fiscal month, each of which shall be prepared on a basis comparable to those prepared for the prior year, such report to be certified by an Authorized Officer of the Borrower as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its Subsidiaries at such date and for such period, with a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto;

(b) as soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters of each fiscal year, consolidating and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and consolidating and consolidating statements of operations and a consolidated statement of cash flows, in each case of the Borrower and its Subsidiaries for such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal quarter, all prepared in conformity with GAAP (subject to normal year-end adjustments) and certified by the Chief Financial Officer of the Borrower as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its Subsidiaries at such date and for such period, together with (i) a certificate of the Chief Financial Officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto, (ii) a schedule in form satisfactory to the Agent of the computations used by the Borrower in determining compliance with all financial covenants contained herein, and (iii) a written discussion and analysis by the management of the Borrower of the financial statements furnished in respect of such fiscal quarter;

(c) as soon as available and in any event within ninety (90) calendar days after the end of each fiscal year, consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such year and the fourth fiscal quarter of such year and consolidated and consolidating statements of operations and retained earnings and a consolidated statement of cash flows, in each case of the Borrower and its Subsidiaries for such fiscal year and such fiscal quarter, all prepared in conformity with GAAP and, with respect to the financial information relating to such fourth fiscal quarter, certified by the Chief Financial Officer of the Borrower as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its Subsidiaries at such date and for such period, and in the case of such annual consolidated financial statements, certified without qualification as to the scope of the audit or, except with respect to the fiscal year immediately preceding the fiscal year in which the Closing Date occurs, as to the Borrower being a going concern, in each case by KPMG Peat Marwick or other independent public accountants acceptable to the Agent, together with (i) a certificate of such accounting firm stating that in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default or Event of Default has occurred and is continuing, or, if in the opinion of such accounting firm, a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof, (ii) a schedule in form reasonably satisfactory to the Agent of the computations used by such accountants in determining, as of the end of such fiscal year, the Borrower's compliance with all financial covenants contained herein, and (iii) a written discussion and analysis by the management of the Borrower of the financial statements furnished in respect of such fiscal year and fiscal quarter;

(d) not later than the date on which the Borrower shall deliver to the Lenders the financial statements referred to in Section 6.9(c) for any Fiscal Year, a letter from the Borrower's independent public accountants in substantially the form of Exhibit M-2 hereto; and

(e) promptly after the same are received by the Borrower, a copy of each management letter provided to the Borrower by its independent certified public accountants which refers in whole or in part to any inadequacy, defect,

problem, qualification or other lack of fully satisfactory accounting controls utilized by the Borrower or any of its Subsidiaries.

6.10. Reporting Requirements. The Borrower shall furnish to each of the Lenders:

(a) as soon as available and in any event not later than April 30 of each year, an annual business and financial plan for the current fiscal year, including an annual budget of the Borrower and its Subsidiaries for the current fiscal year, displaying on an annual basis anticipated balance sheets, forecasted revenues, net income and cash flows, all on a consolidated basis, and Divisional Sales and EBITDA;

(b) as soon as available and in any event not later than March 8 and September 1 of each year, the Semiannual Seasonal Business Plan;

(c) as soon as available and in any event not later than the fifteenth day after the final review of any such plan by the Borrower's board of directors, any five-year or other long-term business and financial plan for the Borrower and its Subsidiaries;

(d) (i) promptly and in any event within thirty (30) calendar days after any ERISA Event with respect to the Borrower, its Subsidiaries or any ERISA Affiliate has occurred, and (ii) promptly and in any event within ten (10) calendar days after the Borrower, any of its Subsidiaries or any ERISA Affiliate files a request for a minimum funding waiver under Section 412 of the Code with respect to any Qualified Plan of the Borrower, its Subsidiaries or any ERISA Affiliate, a written statement of a Responsible Officer or other appropriate officer of the Borrower describing such ERISA Event or waiver request and the action, if any, which the Borrower, its Subsidiaries and ERISA Affiliates propose to take with respect thereto and a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(e) promptly and in any event within thirty (30) calendar days after the filing thereof by the Borrower, any of its Subsidiaries or any ERISA Affiliate, a copy of each annual report (Form 5500 Series, including Schedule B thereto) filed with respect to a Pension Plan, and upon

request by any Lender through the Agent, with respect to any other Qualified Plan;

(f) promptly and in any event within ten (10) calendar days after receipt thereof, a copy of any written adverse notice, determination letter, ruling or opinion the Borrower, any of its Subsidiaries or any ERISA Affiliate receives from the PBGC, DOL or IRS with respect to any Qualified Plan, any notice received from the PBGC indicating an intent to terminate or to appoint a trustee to administer such plan, any written notice from the IRS that the Borrower is not in compliance with the Closing Agreement, any reports provided to the IRS by KPMG Peat Marwick or any other auditor on behalf of the Borrower regarding the compliance of the Borrower with the requirements of the Closing Agreement, any notices filed with the PBGC by the Borrower, any of its Subsidiaries or any ERISA Affiliate with respect to any Title IV Plan, and, at the request of any Lender, a copy of any favorable notice, determination letter, ruling or opinion with respect to any Qualified Plan from any such Governmental Authority;

(g) promptly and in any event within ten (10) calendar days after receipt thereof, a copy of any correspondence the Borrower, any of its Subsidiaries or any ERISA Affiliate receives from the plan sponsor (as defined by Section 4001 (a)(10) of ERISA) of any Multiemployer Plan concerning potential withdrawal liability of the Borrower, any of its Subsidiaries or any ERISA Affiliate, or notice of any reorganization with respect to any Multiemployer Plan, together with a written statement of a Responsible Officer of the Borrower of the action which the Borrower, its Subsidiaries and ERISA Affiliates propose to take with respect thereto;

(h) promptly and in any event within thirty (30) calendar days after the adoption thereof, notice of (i) any amendment or series of amendments to a Title IV Plan, other than an amendment or series of amendments adopted to comply with applicable law, which would result in the Funding Ratio for such plan to fall below 100% or the adoption of any new Title IV Plan, and (ii) any amendment to a, or adoption of a new, Welfare Benefit Plan, which results in an increase in benefits for retirees or new benefits for retirees with a present value of more than \$15,000,000, the determination of such present value to be made by actuaries of the Borrower according to reasonable actuarial assumptions;

(i) promptly and in any event within thirty (30) calendar days after notice thereof, notice that the Borrower or any of its Subsidiaries has become subject to the tax on prohibited transactions imposed by Section 4975 of the Code, except those which would not result in a liability of more than \$1,000,000 together with a copy of Form 5330;

(j) as promptly as practical, but in no event later than fifteen (15) calendar days after any Authorized Officer or Responsible Officer becomes aware of the commencement thereof, notice of all actions, suits and proceedings before any Governmental Authority or arbitrator, affecting the Borrower or any of its Subsidiaries, or affecting any ERISA Affiliate with respect to a Title IV Plan, which may reasonably be expected to result in a liability to the Borrower or any Subsidiary of the Borrower (without regard to insurance coverage with respect thereto, if any) of more than \$15,000,000;

(k) notice, promptly and in any event within ten (10) calendar days after the Borrower, any of its Subsidiaries or any of its ERISA Affiliates has failed to make a quarterly installment payment required under Section 412 of the Code, together with a written statement of the amount of such unpaid installment;

(l) upon any Responsible Officer becoming aware of the existence of (i) any Default or Event of Default or (ii) any event, development or other circumstance which has or could reasonably be expected to have a Material Adverse Effect, telephonic notice in reasonable detail specifying the nature of the Default, Event of Default, event, development or other circumstance, including, without limitation, the anticipated effect thereof, which notice shall be promptly confirmed in writing within five (5) calendar days;

(m) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to its security holders generally, and copies of all reports and registration statements (other than registration statements on Form S-8) which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange or the National Association of Securities Dealers, Inc.;

(n) upon the request of the Agent, copies of all Federal, state, local and foreign tax returns and reports filed by the Borrower or any of its Subsidiaries in respect

of taxes measured by income (excluding sales, use and like taxes);

(o) promptly and in any event within thirty (30) calendar days of the Borrower or any Subsidiary learning of any of the following, written notice to the Agent of:

(i) the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of a Release or threatened Release which could reasonably be expected to subject the Borrower or any of its Subsidiaries to Environmental Liabilities of \$1,000,000 or more;

(ii) the receipt by the Borrower or any of its Subsidiaries of notification that any property (real, personal or mixed) owned, operated or used by the Borrower or any of its Subsidiaries is subject to any Environmental Lien;

(iii) the receipt by the Borrower or any of its Subsidiaries of any notice of violation of, or knowledge by the Borrower or any of its Subsidiaries that there exists a condition which may reasonably be expected to result in a violation by the Borrower or any of its Subsidiaries of, any Environmental Law other than those the consequences of which in the aggregate are not reasonably likely to subject the Borrower and its Subsidiaries collectively to Environmental Liabilities of \$1,000,000 or more; or

(iv) the commencement of any judicial or administrative proceeding or investigation alleging a violation of any Environmental Law other than those the consequences of which in the aggregate will not or are not reasonably likely to subject the Borrower and its Subsidiaries collectively to Environmental Liabilities of \$1,000,000 or more; and

(p) such other information respecting the business, financial condition, results of operations or prospects of the Borrower and its Subsidiaries (taken as a whole) as any Lender through the Agent may from time to time reasonably request.

6.11. Employee Plans. With respect to other than a Multiemployer Plan, for each Qualified Plan hereafter adopted or maintained by the Borrower, any of its

Subsidiaries or any ERISA Affiliate, the Borrower shall use its best efforts to (i) seek, within the applicable remedial amendment period, and cause such of its Subsidiaries and ERISA Affiliates to seek, and receive determination letters from the IRS to the effect that such Qualified Plan is qualified within the meaning of Section 401(a) of the Code, and (ii) from and after the adoption of any such Qualified Plan, cause such plan to be qualified within the meaning of Section 401(a) of the Code and to be administered in all material respects in accordance with the requirements of ERISA and Section 401(a) of the Code.

6.12. Fiscal Year. The Borrower and its Subsidiaries shall maintain as their fiscal year the twelve month period ending on the Saturday closest to January 31 of each year.

6.13. Performance and Compliance with Other Covenants. The Borrower shall perform and comply with, and shall cause each of its Subsidiaries to perform and comply with, each of the covenants and agreements set forth in each Related Document to which it or any of its Subsidiaries is a party to the extent that failure to do so would have a Material Adverse Effect.

6.14. Subsidiaries Guaranty. Any Person that becomes a Subsidiary of the Borrower on or after the Closing Date shall become a party to the Subsidiaries Guaranty at the time such Person (a) incurs a net intercompany obligation, determined in accordance with GAAP, to the Borrower or (b) receives from the Borrower, any Loan Party or any Subsidiary thereof a capital contribution in excess of the minimum statutorily required amount for the commencement of business under the laws of the state of organization of such Person.

6.15. Interest Rate Contracts. The Borrower shall, on the Closing Date, have Interest Rate Contract or Contracts, on terms and with counterparties disclosed on Schedule 6.15, and shall maintain at all times through the Termination Date, Interest Rate Contracts on terms and with counterparties reasonably acceptable to the Agent which provide protection against interest rates exceeding 10% per annum on 50% of all Debt of the Borrower and its Subsidiaries on a consolidated basis bearing floating interest rates assuming for purposes of this calculation that the Loans are fully drawn.

6.16. Environmental. The Borrower shall, at its cost, upon receipt of any notification or otherwise obtaining knowledge of any Release or other event that could result in Borrower and its Subsidiaries incurring Environmental Liabilities in excess of \$10,000,000, conduct or cause to be conducted, tests or assessments of environmental conditions at such operations or properties, including, without limitation, the investigation and testing of subsurface conditions, and shall take such remedial, investigational or other action as any Governmental Authority requires or as is appropriate and consistent with good business practice.

ARTICLE VII

NEGATIVE COVENANTS

As long as any of the Obligations or Commitments remain outstanding, unless the Majority Lenders otherwise consent in writing, the Borrower agrees with the Lenders and the Agent that:

7.1. Liens, Etc. The Borrower shall not create or suffer to exist, and shall not permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its or such Subsidiary's properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case except for Permitted Liens.

7.2. Debt. The Borrower shall not create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Debt except:

(a) The Obligations;

(b) Debt of the Borrower or any of its Subsidiaries outstanding on the date hereof, reflected on Schedule 7.2 and identified thereon to remain outstanding;

(c) Debt incurred to refinance or replace any of the Debt permitted pursuant to Section 7.2(b); provided that (i) the terms of any such refinancing or replacement Debt (including, without limitation, maturity, amortization, interest and covenants) taken as a whole are not materially less favorable to the Borrower, as determined by the Agent in its reasonable discretion, than the terms of the Debt

being refinanced or replaced (it being understood that no Debt which is not currently secured may be refinanced on a secured basis) and (ii) except as otherwise permitted pursuant to subsections (e) through (h) of this Section 7.2 (but without duplication with the amounts otherwise permitted pursuant to such subsections), the aggregate outstanding principal amount of the Debt of the Borrower and its Subsidiaries, on a combined basis, after giving effect to the proposed refinancing or replacement does not exceed the amount of Debt outstanding on the Closing Date, which shall include, for purposes of this clause the amount of the commitments under the Receivables Credit Agreements (such permitted refinancing or replacement Debt is referred to herein as the "Permitted Refinancing Debt");

(d) Debt (i) owing to any wholly-owned Subsidiary of the Borrower by the Borrower or any other wholly-owned Subsidiary of the Borrower which is subordinated on terms acceptable to the Majority Lenders and pledged to the Agent, (ii) owing to the Borrower by any Subsidiary of the Borrower, (iii) arising out of the conduct of the Borrower's ordinary course of business pursuant to the Borrower's cash management system as described on Schedule 1.1 and (iv) owing by Federated Credit Corporation and Allied Stores Credit Corporation to their respective immediate parent corporations;

(e) Debt arising under Capital Lease Obligations incurred after the Closing Date in an aggregate amount not to exceed \$30,000,000;

(f) Debt incurred in connection with construction projects in an amount not to exceed \$10,000,000;

(g) Obligations pursuant to Interest Rate Contracts referred to in Section 6.15 hereof;

(h) Debt with respect to Contingent Obligations permitted under Section 7.12(i)-(v);

(i) Debt secured by Liens permitted by clauses (b) -(m) of the definition of Permitted Liens; and

(j) other Debt in an amount not to exceed, when aggregated with Contingent Obligations permitted pursuant to Section 7.12(viii), \$30,000,000 at any one time.

7.3. Restricted Payments. (a) The Borrower shall not and shall not permit any Subsidiary to make or suffer to exist any Restricted Payment other than (i) dividends paid to the Borrower or any wholly-owned Subsidiary of the Borrower by any wholly-owned Subsidiary of the Borrower, (ii) payments under the Equity Plan and (iii) payments in respect of the redemption of outstanding share purchase rights under the Share Purchase Rights Agreement at not more than the redemption price set forth therein on the Closing Date. Notwithstanding the foregoing, so long as no Default or Event of Default has occurred or is continuing, the Borrower may make Restricted Payments at any time that (i) either S&P has rated the Rated Debt "BBB" or higher or Moody's has rated the Rated Debt "Baa2" or higher, (ii) the Fixed Charge Coverage Ratio (calculated after giving effect to such proposed Restricted Payment and any Debt prepayments permitted pursuant to the last sentence of Section 7.3(b)) for the four fiscal quarters ending immediately prior to the fiscal quarter in which such Restricted Payment is declared or made equals or exceeds 1.5:1.0, and (iii) the Series A Notes and the Series B Notes have been refinanced in full on terms reasonably acceptable to the Majority Lenders; provided that in no event shall the aggregate amount of such Restricted Payments (when aggregated with any repayment of Debt permitted pursuant to the last sentence of Section 7.3(b)) exceed 20% of the undistributed Net Income of the Borrower for such four preceding fiscal quarters.

(b) The Borrower shall not, and shall not permit any of its Subsidiaries to, voluntarily purchase, redeem, prepay, defease or otherwise acquire for value or make any payment on account or in respect of any principal amount of Debt except (i) required scheduled payments on Debt, (ii) prepayments, redemptions or repurchases of the Series A Notes and the Series B Notes from the proceeds of any primary offering of Stock of the Borrower, (iii) prepayments, redemptions or repurchases of the Series A Notes and the Series B Notes from Excess Cash and (iv) repayments of Debt under the Receivables Credit Agreements in accordance with the terms thereof. Notwithstanding the foregoing, so long as no Default or Event of Default has occurred or is continuing, the Borrower may voluntarily purchase, redeem, prepay, defease or otherwise acquire for value or make any payment on account or in respect of any principal amount of the Series A Notes and the Series B Notes at any time that (i) either S&P has rated the Rated Debt "BBB" or higher or Moody's has rated the Rated Debt "Baa2" or higher, and (ii) the Fixed Charge

Coverage Ratio for the four fiscal quarters ending immediately prior to the fiscal quarter in which such payment was made (calculated after giving effect to such proposed payment and any Restricted Payments made during such period) equals or exceeds 1.5:1.0; provided that in no event shall the aggregate amount of such principal prepayments when aggregated with any Restricted Payments exceed 20% of the undistributed Net Income of the Borrower for such four preceding fiscal quarters.

7.4. Mergers, Sale of Assets, Stock Issuances, Etc. (a) The Borrower shall not and shall not permit any of its Subsidiaries to (i) merge or consolidate with any Person, except that (x) Allied Stores Credit Holdings Corporation and Federated Credit Holdings Corporation may merge; provided that, upon the consummation of such merger of Allied Stores Credit Holdings Corporation and Federated Credit Holdings Corporation, the Lenders share ratably through the Shared Collateral Trustees with the holders of the Series A Notes and the Series B Notes (if such Notes are still outstanding) a first priority Lien on the Stock of the surviving Finance Subsidiary, in the proportion that the net book value of the stockholders' equity of Federated Credit Holdings Corporation immediately preceding the effective time of such merger bears to the aggregate net book value of the stockholders' equity of both constituent corporations to such merger at such time, and (y) Allied Stores Credit Corporation and Federated Credit Corporation may merge contemporaneously with or subsequent to the merger referred to in Section 7.4(a)(i)(x), (ii) sell, convey, transfer, lease or otherwise dispose of any of its assets or any interest therein to any Person, or permit or suffer any other Person to acquire any interest in any of the assets of the Borrower or any of its Subsidiaries, except (w) the sale or other disposition (including, without limitation, through lease transactions) of inventory, goods and fixtures in the ordinary course of the Borrower's and its Subsidiaries' business substantially as conducted on the Closing Date, (x) the sale or other disposition of accounts receivable in the ordinary course of the Borrower's and its Subsidiaries business substantially as conducted on the Closing Date and pursuant to Receivables Purchase Agreements substantially similar in all material respects to the Receivables Purchase Agreements in effect as of the Closing Date, (y) sales of assets the gross proceeds of which do not exceed \$20,000,000 in the aggregate and (z) the sale or other disposition of certain assets of the Borrower and/or its Subsidiaries identified to the Agent and the Lenders prior to the Closing

Date, (iii) acquire for cash all or substantially all of the Stock or Stock Equivalents of any Person, or acquire any substantial amount of the assets of any Person or all or substantially all of the assets constituting the business of a division, branch or other unit operation of any Person; provided that the Borrower may make such acquisitions if both at the time of and after giving effect to such acquisition, no Default or Event of Default will have occurred and be continuing and all acquisitions pursuant to this Section 7.4(a)(iii) shall not exceed \$75,000,000 in any year (all acquisitions pursuant to this subclause (iii) shall be included in Cash Capital Expenditures for purposes of calculating compliance with Sections 5.3 and 5.6), or (iv) enter into any joint venture or partnership in which it acts as a general partner with any Person. Notwithstanding the foregoing, the Borrower may make an acquisition, the purchase price for which is paid entirely in the capital stock of the Borrower if, both at the time of and after giving effect to such acquisition, no Default or Event of Default will have occurred and be continuing.

(b) The Borrower shall not (i) permit any of its Subsidiaries to issue or transfer any Stock or Stock Equivalents other than any such issuance or transfer (A) by a Subsidiary of the Borrower to a direct or indirect wholly-owned Subsidiary of the Borrower or (B) by a wholly-owned Subsidiary of the Borrower to the Borrower, or (ii) sell, convey, transfer, lease or otherwise dispose of, or from and after the date hereof permit any of its Subsidiaries to sell, convey, transfer, lease or otherwise dispose of, any Stock or Stock Equivalents of any of the Borrower's Subsidiaries.

7.5. Investments in Other Persons. The Borrower shall not, directly or indirectly, make or maintain, or permit any of its Subsidiaries to make or maintain, any Investment, except:

(i) Permitted Investments and other Investments permitted under Section 7.4;

(ii) Investments in the stock of Ralph's Supermarkets, Inc. held by the Borrower on the Closing Date; and

(iii) Investments relating to the conversion of FACS and/or SABRE into wholly-owned Subsidiaries of the Borrower, provided that each such new Subsidiary

would become a Guarantor and the stock of each such Subsidiary would become Pledged Stock subject to the same release mechanism for the stock of Allied Stores General Real Estate Company and Allied Stores Credit Holdings Corporation set forth in the definition of Pledged Stock.

7.6. Increase in Employee Benefit Liabilities.

The Borrower shall not, and shall not permit any of its Subsidiaries or, in the case only of a Title IV Plan, permit any of its ERISA Affiliates, to amend or establish any of the following employee benefit plans in a manner that would increase (or, in the case of a new plan, establish) liabilities or costs thereunder (measured, in the case of each amendment or establishment, at the time of such action) beyond the following limitations:

(a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 7.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$15,000,000 plus increases of \$15,000,000 in the aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date; provided that the accrued benefit liabilities of the Allied Pension Plan may not be increased by reason of an amendment by more than an amount set forth on Schedule 7.6, and provided, further, that any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;

(b) For any Welfare Benefit Plan: a net increase in the annual cash outlay allocable to all post-retirement benefits in the aggregate of more than \$15,000,000 attributable to the employer; and

(c) For any unfunded Pension Plan: a net increase in the annual cash outlay allocable to all unfunded Pension Plans in the aggregate (beyond the costs related to

the liabilities contemplated in the Bankruptcy Disclosure Statement) of more than \$15,000,000.

Any of the preceding employee benefit plans may be amended, however, without regard to, and in addition to the foregoing limits (i) if necessary to comply with applicable law, or (ii) if the action has been reviewed and approved by an independent compensation consultant retained by the Borrower, the Borrower's board of directors has approved such action, and the Borrower has obtained the consent of the Majority Lenders regarding such action, such consent not to be unreasonably withheld. Notwithstanding the foregoing, in no event shall the assets of the Allied Pension Plan be merged, spun-off, or otherwise transferred to any other plan prior to the third anniversary of the Closing Date, other than (a) a transfer to a "qualified replacement plan" within the meaning of Section 4980(d) of the Code of the minimum amount necessary to satisfy Section 4980(d)(2)(B) of the Code in connection with the termination of the Allied Pension Plan and the reversion of excess assets to the Borrower or (b) with the consent of the Majority Lenders, such consent not to be unreasonably withheld.

7.7. Modification of Related Documents and Material Agreements. (a) The Borrower shall not, and shall not permit any of its Subsidiaries to, alter, rescind, terminate, amend, supplement, waive or otherwise modify in any material respect any provision of any Related Document as such Related Document is in effect on the Closing Date; provided that Borrower's Subsidiaries may amend, supplement, waive or otherwise modify the Receivables Credit Agreements in a manner that (x) will not have a material adverse effect on (i) the liquidity of the Borrower or any such Subsidiary or (ii) the value of any of the Pledged Subsidiaries or (y) does not amend in any way any financial covenant contained therein or any definition related to such covenants.

(b) The Borrower shall not, and shall not permit any of its Subsidiaries to, alter, amend, modify, rescind, terminate or waive any of their respective rights under, or fail to comply in all material respects with all of its material contracts (as defined in section 601 of Regulation S-K as promulgated by the Securities and Exchange Commission (other than the Related Documents)); provided that the Borrower and its Subsidiaries may take any such action if Borrower shall have given the Agent and the Lenders written notice of such action no later than five (5) Business Days prior to the effective date of such action and (y) the

Borrower shall have represented to the Lenders in such notice that the consequences of such action would have no Material Adverse Effect.

7.8. Accounting Changes. The Borrower shall not make, nor permit any of its Subsidiaries to make, any change in accounting principles or method or principle of applying an accounting principle for either financial or tax reporting purposes, except as permitted or required by GAAP or law and timely disclosed to the Lenders and the Agent.

7.9. Transactions with Affiliates. The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any transaction with an Affiliate of the Borrower or any Subsidiary of the Borrower except (a) transactions (including, without limitation, lease transactions entered into after the Closing Date) in the ordinary course of the Borrower's or such Subsidiaries' business; provided that such transactions are (i) on a basis no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of the Borrower or such Subsidiary, or (ii) otherwise not detrimental to the Borrower or any of its Subsidiaries and determined by the board of directors of the Borrower to be fair to the Borrower or such Subsidiary, (b) sales of accounts receivable to the Finance Subsidiaries pursuant to Receivables Purchase Agreements substantially similar in all material respects to those in effect as of the Closing Date, (c) transfers of assets or provision of services between the Borrower and its Subsidiaries and between or among Subsidiaries of the Borrower, in each case in the ordinary course of the Borrower's and such Subsidiaries' business substantially as conducted on the Closing Date, or (d) transactions involving cash and other compensation of and benefits to any officer or director of the Borrower or any of its Subsidiaries; provided that such compensation or benefits are approved by the board of directors of the Borrower (excluding employee directors) or the compensation committee of such board of directors.

7.10. No Speculative Transactions. The Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any transaction involving commodity options or futures contracts or any similar speculative transaction (including take-or-pay contracts) except for (a) bona fide foreign currency hedging transactions consistent with the Borrower's past practices and (b) Interest Rate Contracts in

accordance with Section 6.15 and other Interest Rate Contracts reasonably acceptable to the Agent.

7.11. Limitation on Change of Control Provisions.

The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or be a party to any credit agreement, loan agreement, letter of credit facility, indenture, receivables agreement or other agreement or instrument governing or evidencing any Debt which provides any holder of Debt with the right to require the Borrower or any of its Subsidiaries to redeem, repurchase, repay or otherwise acquire any such Debt upon a change of control (including, without limitation, with respect to the ownership of Stock or the management or directors) of any Loan Party other than ASGREC or a recapitalization of any Loan Party other than ASGREC (including, without limitation, a change in the capital structure or capitalization) unless this Agreement is amended to provide the Lenders with the same right with respect to the Loans.

7.12. Contingent Obligations. The Borrower shall not, and shall not permit any of its Subsidiaries to, incur, assume, endorse, be or become liable for, or guarantee, directly or indirectly, or permit or suffer to exist, any Contingent Obligation, except for:

(i) Contingent Obligations evidenced by a Loan Document;

(ii) Contingent Obligations described on Schedule 7.12;

(iii) guarantees by the Borrower of Debt of any of its Subsidiaries to the extent such underlying Debt is permitted by Section 7.2;

(iv) guarantees by Subsidiaries of Debt of the Borrower or other Subsidiaries of the Borrower to the extent such underlying Debt is permitted by Section 7.2;

(v) Contingent Obligations of any Finance Subsidiary that provide credit enhancement of or with respect to the assets of such Finance Subsidiary or any Subsidiary thereof to the extent the underlying Debt is permitted by Section 7.2;

(vi) guarantees by the Borrower of any operating lease of a Subsidiary in the ordinary course of business;

(vii) guarantees by the Borrower of any Contractual Obligation of any of its Subsidiaries to the extent (a) such guarantee does not impose a financial obligation on the Borrower and (b) such Contractual Obligation is otherwise permitted under this Agreement;

(viii) any obligations other than those set forth above in clauses (i)-(vii) of this Section 7.12 not to exceed when aggregated with Debt permitted pursuant to Section 7.2(j) \$30,000,000 at any time.

7.13. Capital Structure. The Borrower shall not make, and shall not permit any of its Subsidiaries to make, any material change in its capital structure (including, without limitation, in the terms of its outstanding Stock), amend its certificate of incorporation or by-laws, except for any amendments which will not in the aggregate, have a Material Adverse Effect, or make and shall not permit any of its Subsidiaries to make any change in any of its business objectives, purposes or operations other than changes which in the aggregate would have no Material Adverse Effect.

ARTICLE VIII

EVENTS OF DEFAULT

8.1. Events of Default. Each of the following events shall be an Event of Default:

(a) The Borrower shall fail to make any payment of principal (including, without limitation, mandatory prepayments of principal) of or interest on any Loan, any fee or other amount due hereunder or under the other Loan Documents or any other of the Obligations, when the same becomes due and payable (including, without limitation, in accordance with Section 2.6(c) hereof); or

(b) Any representation or warranty made or deemed made by any Loan Party in any Loan Document or by any Loan Party (or any of its officers) in connection with any Loan Document shall prove to have been incorrect in any material respect when made or deemed made; or

(c) Any Loan Party shall fail to perform or observe (i) any term, covenant or agreement contained in Article VII, or (ii) any other term, covenant or agreement contained in this Agreement or in any other Loan Document, if such failure in the case of clause (ii) shall remain unremedied for fifteen (15) calendar days after the earlier of the date on which (A) a Responsible Officer of Borrower becomes aware of such failure or (B) written notice thereof shall have been given to the Borrower by the Agent; or

(d) A default shall occur under any contract, agreement, lease, document or other obligation to which the Borrower or any Subsidiary of the Borrower is a party or any of their property is bound (other than a Loan Document), and such default (i) arises from the failure of the Borrower or any Subsidiary of the Borrower to make, at the final maturity thereof, after giving effect to any applicable grace period, any payment in respect of Debt of the Borrower or any Subsidiary of the Borrower in excess of \$25,000,000 aggregate principal amount, or (ii) causes Debt of the Borrower or any Subsidiary of the Borrower in excess of \$25,000,000 aggregate principal amount to become due prior to its stated maturity or prior to its regularly scheduled dates of payment; or

(e) An event of default shall occur under any contract, agreement, lease, document or other obligation to which any Finance Subsidiary is a party, and such event of default shall cause any Subsidiary to become ineligible or unable to sell accounts receivable to a Finance Subsidiary under a Receivables Purchase Agreement; or

(f) The Borrower shall fail to pay any principal (including, without limitation, mandatory prepayments of principal) of, interest on, or other amount payable in respect of, any Series A Note or Series B Note, and any such amount shall remain unpaid for more than five (5) calendar days after the expiration of any applicable grace period with respect thereto; or

(g) (i) The Borrower or any Subsidiary of the Borrower shall (1) generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or (2) make a general assignment for the benefit of creditors, (ii) any proceeding shall be instituted by or against the Borrower or any Subsidiary of the Borrower seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up,

reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceedings instituted against the Borrower or any of its Subsidiaries (but not instituted by it), either such proceedings shall remain undismissed or unstayed for a period of forty-five (45) calendar days or any of the actions sought in such proceedings shall occur, or (iii) the Borrower or any Subsidiary of the Borrower shall take any corporate action to authorize any of the actions set forth above in this subsection (g); or

(h) One or more judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate, to the extent not fully covered by insurance, shall be rendered against the Borrower or any Subsidiary of the Borrower and such judgments and orders shall not have been stayed, vacated, or discharged within sixty (60) calendar days of the rendering of such judgments and orders; or

(i) (i) With respect to any Qualified Plan, a prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA shall occur which in the reasonable determination of the Agent has a reasonable likelihood of resulting in direct or indirect liability to the Borrower or any of its Subsidiaries, (ii) with respect to any Title IV Plan, the filing of a notice to voluntarily terminate any such plan in a distress termination, (iii) with respect to any Multiemployer Plan, the Borrower, any of its Subsidiaries or any ERISA Affiliate shall incur any Withdrawal Liability, (iv) with respect to any Qualified Plan, the Borrower, any of its Subsidiaries or any ERISA Affiliate shall incur an accumulated funding deficiency or request a funding waiver from the IRS, or (v) with respect to any Title IV Plan or Multiemployer Plan, an ERISA Event not described in clauses (i) through (iv) hereof, in the reasonable determination of the Lenders there is a reasonable likelihood for termination of any such plan by the PBGC; provided that any event listed in clauses (i) through (v) shall constitute an Event of Default only if the liability, whether or not assessed, deficiency or waiver request of the Borrower, any of its Subsidiaries or any ERISA Affiliate, exceeds \$10,000,000 in any case or \$10,000,000 in the aggregate for all such cases; or

(j) The Borrower or any of its Subsidiaries shall create, incur, or suffer to exist (i) a lien under Code Section 412(n) or successor thereto, (ii) a lien under ERISA Section 4062 or successor thereto, or (iii) a security interest under Code Section 401(a)(29), or successor thereto; provided, that in the case of clauses (i), (ii) and (iii) the amount of the obligations secured by such lien or security interest is in excess of \$10,000,000; or

(k) Any provision of any Loan Document shall for any reason after the Closing Date cease to be valid and binding on any Loan Party thereto, or any such Loan Party shall so state in writing or institute any suit or proceeding challenging the validity and binding nature of any Loan Document; or

(l) Any Collateral Document shall for any reason after the Closing Date cease to create a valid Lien on any of the Collateral purported to be covered thereby or any such Lien shall cease to be perfected with the priority specified therefor in such Collateral Document, or any Loan Party shall so state in writing or institute any suit or proceeding challenging the legality, validity or enforceability of any such Lien or the attachment, perfection or priority thereof; or

(m) The Receivables-Backed Credit Agreement, dated as of June 22, 1990, among Allied Stores Credit Corporation, as borrower, Mason Funding Corporation, as lender, and Chemical Bank, as agent, and the Receivables-Backed Credit Agreement, dated as of November 13, 1990, among Federated Credit Corporation, as borrower, Pine Hill Funding Corporation, as lender, and General Electric Capital Corporation, as agent, shall not have been refinanced or otherwise extended on terms reasonably acceptable to the Majority Lenders (or on substantially the same terms as reasonably determined by the Agent in its discretion) on or prior to April 5, 1993 and July 5, 1993, respectively; or

(n) There shall occur a material adverse change or an event that is reasonably likely to cause a material adverse change, in each case in the business, financial condition, results of operations, or prospects of the Borrower and its Subsidiaries, taken as a whole, from that which existed as of the Closing Date; or

(o) There shall occur a Change of Control.

8.2. Remedies. If there shall occur and be continuing any Event of Default, the Agent (i) shall at the request, or may with the consent, of the Majority Lenders by notice to the Borrower, declare the obligation of each Lender to make Loans and of each Issuer to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Lenders by notice to the Borrower, declare the Loans, all interest thereon and all other amounts and Obligations payable under this Agreement to be forthwith due and payable, whereupon the Loans, all such interest and all other Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that upon the occurrence of the Event of Default specified in Section 8.1(g) above, (A) the obligation of each Lender to make Loans and of each Issuer to issue Letters of Credit shall automatically be terminated and (B) the Loans, all such interest and all other Obligations shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. In addition to the remedies set forth above, the Agent may exercise any remedies provided for by the Collateral Documents in accordance with the terms thereof or any other remedies provided by applicable law.

8.3. Actions in Respect of Letters of Credit.

(a) Upon the giving of notice to the Borrower pursuant to clause (i) or (ii) of the penultimate sentence of Section 8.2, the occurrence of an Event of Default specified in Section 8.1(g) and upon any Termination Date which occurs prior to April 3, 1995, the Borrower shall pay to the Agent in same day funds at the Agent's office specified in Section 10.2 hereof, for deposit in a special interest-bearing cash collateral account (the "L/C Cash Collateral Account") to be maintained in the name of the Agent on behalf of the Lenders and the Issuer at such place as shall be designated by the Agent, an amount equal to 105% of all outstanding Letter of Credit Obligations. In the event all Obligations other than Letter of Credit Obligations have been satisfied on the Termination Date, upon establishment of the L/C Cash Collateral Account the Borrower shall be treated as if all Obligations have been repaid in full for purposes of Article V, VI and VII hereof.

(b) The Borrower hereby pledges, and grants to the Agent a Lien on and security interest in, all of its right, title and interest in and to all funds held in the L/C Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due and to become due from the Borrower to the Lenders and Issuers under the Loan Documents.

(c) The Agent may, from time to time after funds are deposited in the L/C Cash Collateral Account, apply funds then held in the L/C Cash Collateral Account to the payment of any amounts, in such order as the Agent may elect, as shall have become or shall become due and payable by the Borrower to the Issuers or Lenders in respect of the Letter of Credit Obligations.

(d) Neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the L/C Cash Collateral Account as long as the Obligations remain outstanding.

(e) The Borrower agrees that it will not (i) sell or otherwise dispose of any interest in the L/C Cash Collateral Account or any funds held therein or (ii) create or permit to exist any Lien upon or with respect to the L/C Cash Collateral Account or any funds held therein, except as provided in or contemplated by this Agreement.

(f) Upon the occurrence and during the continuance of an Event of Default, the Agent may also exercise, in its sole discretion, in respect of the L/C Cash Collateral Account, in addition to the other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at that time, and the Agent may, without notice except as specified below, sell the L/C Cash Collateral Account or any part thereof in one or more parcels at public or private sale, at any of the Agent's offices or elsewhere, for cash, or credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. The Borrower agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of the L/C Cash Collateral Account, regardless of notice of sale having been given.

The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(g) Upon the occurrence and during the continuation of an Event of Default, any cash held in the L/C Cash Collateral Account, and all cash proceeds received by the Agent in respect of any sale of, collection from or other realization upon all or any part of the L/C Cash Collateral Account, may, in the discretion of the Agent, then or at any time thereafter be applied (after all payments provided for in Section 8.3(c), the expiration of all outstanding Letters of Credit and the payment of any amounts payable pursuant to Section 10.4) in whole or in part by the Agent against all or any part of the other Obligations in such order as the Agent shall elect. Any surplus of such cash or cash proceeds held by the Agent and remaining after the indefeasible cash payment in full of all of the Obligations shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

ARTICLE IX

THE AGENT

9.1. Authorization and Action. (a) Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Without limitation of the foregoing, each Lender hereby expressly authorizes the Agent to execute, deliver and perform its obligations under each of the Loan Documents to which it is a party, and to exercise all rights, powers and remedies that the Agent may have under such Loan Documents.

(b) As to any matters not expressly provided for by this Agreement and the other Loan Documents (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but the Agent shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders and such instructions shall be binding upon all Lenders and all holders of Notes, provided

that the Agent shall not be required to take any action which such Agent in good faith believes exposes it to personal liability or is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Loan Party pursuant to the terms of this Agreement or the other Loan Documents.

9.2. Agent's Reliance, Etc. Neither the Agent, nor any of its Affiliates or any of the respective directors, officers, agents or employees of the Agent or any such Affiliate shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Agent (i) may treat the payee of any Note as the holder thereof until such Note has been assigned in accordance with Section 10.7, (ii) may consult with legal counsel (including, without limitation, counsel to the Borrower or any other Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts, (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or any of the other Loan Documents, (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Loan Documents on the part of the Borrower or any other Loan Party or to inspect the property (including, without limitation, the books and records) of the Borrower or any other Loan Party, (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto, and (vi) shall incur no liability under or in respect of this Agreement or any of the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, facsimile, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.3. Citibank and Affiliates. With respect to its Revolving Credit Commitment and the Loans made by it and

each Note issued to it and each Letter of Credit issued by it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated and so long as Citibank holds any Note, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower or any other Loan Party or any of their respective Subsidiaries and any Person who may do business with or own securities of the Borrower or any other Loan Party or any of their respective Subsidiaries, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

9.4. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the 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 the Agent, any Co-Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

9.5. Indemnification. Each Lender agrees to indemnify the Agent, each Co-Agent and its Affiliates and the respective directors, officers, employees, agents and advisors of the Agent, each Co-Agent and their respective Affiliates (to the extent not reimbursed by the Borrower or other Loan Parties), ratably according to the respective principal amounts of the Loans then held by each of them and Letter of Credit Obligations (including, without limitation, participations therein) owing to them (or if no Notes and Letter of Credit Obligations are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against, the Agent, any Co-Agent, their respective Affiliates and the respective directors, officers, agents and advisors of the Agent, any

Co-Agent and any such Affiliate arising out of or relating to any action taken or omitted by the Agent or any Co-Agent under this Agreement or the other Loan Documents, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's or any Co-Agent's gross negligence or wilful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent or any Co-Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including, without limitation, reasonable fees and disbursements of legal counsel) incurred by the Agent or such Co-Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of its rights or responsibilities under, this Agreement or the other Loan Documents to the extent that the Agent or any Co-Agent is not reimbursed for such expenses by the Borrower or another Loan Party.

9.6. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, and the Agent may be removed at any time with cause by Lenders holding at least 51% of the aggregate unpaid principal amount of the Loans and without cause by the Lenders holding at least 65% of the aggregate unpaid principal amount of the Loans or if no Loans or Letter of Credit Obligations are outstanding, Lenders having at least 65% of the Commitments. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Lenders, and shall have accepted such appointment within thirty (30) calendar days after the retiring Agent's giving of notice of resignation or the Lenders' removal of the Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a Lender and a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this

Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

ARTICLE X

MISCELLANEOUS

10.1. Amendments, Etc. Except as otherwise specifically provided herein, no amendment or waiver of any provision of this Agreement nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and the Borrower, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders and the Borrower, do any of the following: (i) waive any of the conditions specified in Sections 3.1 or 3.2 except as otherwise provided therein; (ii) increase the Commitments of the Lenders or subject the Lenders to any additional obligations; (iii) reduce the principal of, or interest on, the Loans or any fees or other amounts payable hereunder; (iv) postpone any date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable hereunder; (v) change the percentage of the Revolving Credit Commitments, the aggregate unpaid principal amount of the Loans or Letter of Credit Obligations, or the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder; (vi) release substantially all of the Collateral except as shall otherwise be provided in Section 7.4 and in the Collateral Documents; or (vii) amend this Section 10.1 or any defined terms used herein, provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or the other Loan Documents. Notwithstanding any of the foregoing, no amendment, waiver or consent shall, unless in writing and signed by Lenders holding at least 65% of the then aggregate unpaid principal amount of the Loans or, if no Loans are then outstanding, Lenders having at least 65% of the Commitments, permit (x) the release of (a) the pledge of the stock of an Operating Subsidiary or (b) any Operating Subsidiary's obligation as a Guarantor (as defined in the Subsidiary Guaranty) in accordance with the Subsidiary Guaranty or (y) a waiver of

Section 2.6(c), except as provided in Section 7.4 and in the Collateral Documents.

10.2. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including, without limitation, telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered by hand or overnight courier, to the addresses set forth below or to such other address as shall be designated by such party in a written notice to the Borrower, the Agent, and the other Lenders.

(a) if to the Borrower, at its address at:

7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Chief Financial Officer
Telecopy number: (513) 579-7555

With a copy to the Borrower at its address at:

7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Telecopy number: (513) 579-7555

(b) if to the Agent, at its address at:

Citibank, N.A.
399 Park Avenue
New York, NY 10043
Attention: Arnold Ziegel
Telecopy number: (212) 644-0239

(c) if to any Co-Agent, at its address set forth on the signature pages hereof

and, if to any Lender, at its Domestic Lending Office specified opposite its name on Schedule II. All notices and communications delivered pursuant to this Section 10.2 shall, when mailed, telegraphed, telexed, telecopied, cabled or delivered, be effective on the third day after being deposited in the mails, when delivered to the telegraph company, when confirmed by telex answerback, when telecopied with confirmation of receipt, when delivered to the cable company or when delivered by hand or by overnight courier to the addressee or its agent, respectively, except that

notices and communications to the Agent pursuant to Article II or III shall not be effective until received by the Agent.

10.3. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10.4. Costs; Expenses; Indemnities. (a) The Borrower agrees to pay on demand (i) all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, each of the other Loan Documents and each of the other documents to be delivered hereunder and thereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of the Agent, counsel, accountants, appraisers, consultants or industry experts retained by the Agent with respect thereto and of counsel to the Agent with respect to advising the Agent as to its rights and responsibilities under this Agreement and the other Loan Documents, and (ii) all costs and expenses of the Agent (including, without limitation, reasonable fees and out-of-pocket expenses of the Agent, counsel, accountants, appraisers, consultants or industry experts retained by Agent) in connection with the restructuring or the enforcement (whether through negotiation, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder or thereunder.

(b) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and their respective Affiliates, and the directors, officers, employees, agents, attorneys, consultants and advisors of or to any of the foregoing (each of the foregoing being an "Indemnitee") from and against any and all claims, damages, liabilities, obligations, losses, penalties, actions, judgments, suits, costs, disbursements and expenses of any kind or nature (including, without limitation, fees and disbursements of counsel to any such Indemnitee) which may be imposed on, incurred by or asserted against any such Indemnitee in connection with or arising out of any investigation, litigation or proceeding, whether or not any such Indemnitee

is a party thereto, whether direct, indirect, or consequential and whether based on any federal, state or local law or other statutory regulation, securities or commercial law or regulation, or under common law or in equity, or on contract, tort or otherwise, in any manner relating to or arising out of this Agreement, any other Loan Document, any Related Document, any Obligation, any Letter of Credit, the Registration Statement, or any act, event or transaction related or attendant to any thereof, including, without limitation, (i) for all Environmental Liabilities arising from or connected with the past, present or future operations of the Borrower or any of its Subsidiaries involving any property subject to a Collateral Document, or damage to real or personal property or natural resources or harm or injury alleged to have resulted from any Release of Contaminants on, upon or into such property or any contiguous real estate, (ii) any Environmental Liabilities incurred in connection with any Remedial Action concerning the Borrower or its Subsidiaries, (iii) any costs or liabilities incurred in connection with any Environmental Lien imposed on the property of the Borrower or any of its Subsidiaries, (iv) any Environmental Liabilities incurred in connection with any other matter affecting any property of the Borrower or its Subsidiaries pursuant to Environmental Laws, including, without limitation, CERCLA and applicable state property transfer laws, whether, with respect to any of the foregoing, such Indemnitee is the successor in interest to the Borrower or any of its Subsidiaries, or the owner, lessee or operator of any property of the Borrower or any of its Subsidiaries by virtue of foreclosure, except, with respect to any of the foregoing referred to in clauses (i), (ii), (iii) and (iv), to the extent incurred following (x) foreclosure by the Agent or the Lenders, or (y) either the Agent or the Lenders having become the successor in interest to the Borrower or any of its Subsidiaries, attributable solely to acts of the Agent or the Lenders or any agent on behalf of the Agent or the Lenders, (v) the making of any assignments of or participations in the Loans or Letter of Credit and the management of such Loans and Letter of Credit, or (vi) or the use or intended use of the proceeds of the Loans or Letters of Credit or in connection with any investigation of any potential matter covered hereby (collectively, the "Indemnified Matters"), provided that the Borrower shall not have any obligation under this Section 10.4(b) to an Indemnitee with respect to any Indemnified Matter caused by or resulting from the gross negligence or wilful misconduct of that Indemnitee, as

determined by a court of competent jurisdiction in a final non-appealable judgment or order.

(c) The Agent and each Lender agree that in the event that any such investigation, litigation or proceeding set forth in Section 10.4(b) is asserted or threatened in writing or instituted against it or any other Indemnitee, or any Remedial Action is requested of it or any of its officers, directors, agents and employees, for which any Indemnitee may desire indemnity or defense hereunder, such Indemnitee shall promptly notify the Borrower in writing, but failure to give timely notice hereunder shall not effect any rights or remedies of such Indemnitee hereunder.

(d) The Borrower, at the request of any Indemnitee, shall have the obligation to defend against such investigation, litigation or proceeding or requested Remedial Action, and the Borrower, in any event, may participate in the defense thereof with legal counsel of the Borrower's choice. In the event that such Indemnitee requests the Borrower to defend against such investigation, litigation or proceeding or requested Remedial Action, the Borrower shall promptly do so and such Indemnitee shall have the right to have legal counsel of its choice participate in such defense. No action taken by legal counsel chosen by such Indemnitee in defending against any such investigation, litigation or proceeding or requested Remedial Action shall vitiate or in any way impair the Borrower's obligation and duty hereunder to indemnify and hold harmless such Indemnitee.

(e) The Borrower agrees that any indemnification or other protection provided to any Indemnitee pursuant to this Agreement (including, without limitation, pursuant to this Section 10.4) or any other Loan Document shall also inure to the benefit of any Person who was at any time an Indemnitee under this Agreement or any other Loan Document.

(f) No Co-Agent shall have any duties or any obligations under this Agreement as Co-Agent. The Lenders agree that Societe Generale, Chemical Bank and Mellon Bank, N.A. and their respective Affiliates shall have the same rights and powers hereunder as any other Lender or holder of a Note and may exercise or refrain from exercising the same as though Societe Generale, Chemical Bank and Mellon Bank, N.A. were not Co-Agents and the terms "Lenders", or any similar terms shall, unless the context clearly otherwise indicates, include each of the Co-Agents in its individual

capacity. Each of Societe Generale, Chemical Bank and Mellon Bank, N.A. and their respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower or any of its Subsidiaries or any Person who may do business with or own securities of the Borrower or any Guarantor or any of their respective Affiliates as if it were not a Co-Agent hereunder and may accept fees and other consideration from the Borrower, or any of its Affiliates for services in connection with this Agreement and otherwise without having to account for the same to any Lender.

10.5. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default each Lender 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 indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the Obligations now or hereafter existing irrespective of whether or not such Lender shall have made any demand under this Agreement or any Note or any Reimbursement Agreement or any other Loan Document and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to the other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

10.6. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower, the Agent and the Co-Agents and when the Agent shall have been notified by each Lender that such Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent, the Co-Agents and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

10.7. Assignments and Participations. (a) Each Lender may sell, transfer, negotiate or assign to one or more other Lenders or Eligible Assignees all or a portion of its Commitments, commitment to issue Letters of Credit, the

Loans, the Letter of Credit Obligations owing to it and the Notes held by it and a commensurate portion of its rights and obligations hereunder and under the other Loan Documents; provided that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement (other than, in the case of an Issuer, its commitment to issue Letters of Credit), and (ii) the aggregate amount of the Commitments, Letters of Credit, Letter of Credit Obligations and Loans being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof; (iii) each assignee hereunder shall be an Eligible Assignee and (iv) any assignment of an Issuer's commitment to issue Letters of Credit shall be to an Eligible Issuer. The parties to each assignment of a Note shall execute and deliver to the Agent, for its acceptance and recording, an Assignment and Acceptance, together with the Note (or an Affidavit of Loss and Indemnification with respect to such Note satisfactory to the Agent) subject to such assignment and, for each such assignment to be effected after the Closing Date, a processing and recordation fee of \$2,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (A) the assignee thereunder shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender and if such Lender was an Issuer, of an Issuer, if so specified in such Assignment and Acceptance, and (B) the assignor thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except those which survive the payment in full of the Obligations) and be released from its obligations under the Loan Documents (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender

makes no representation or warranty and assumes no responsibility with respect to any of the statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document, or the value, perfection or priority of any Lien granted pursuant to any Loan Document, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under this Agreement or any other Loan Document, (iii) such assigning Lender confirms that it has delivered to the assignee and the assignee confirms that it has received a copy of this Agreement, each of the Collateral Documents and the Subsidiary Guaranty, together with a copy of the most recent financial statements delivered by the Borrower to the Lenders pursuant to each of the clauses of Section 6.11 (or if no such statements have been delivered, the financial statements referred to in Section 4.5 of this Agreement), and such documents and financial and other information as it has requested and as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such assignee confirms that it is an Eligible Assignee, (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Agent shall maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitments of, commitments to issue Letters of Credit, Letter of Credit Obligations owing to, and principal amount of the Loans held by, each Lender from time to time (the "Register"). The entries in the Register shall

be conclusive and binding for all purposes, absent manifest error, and the Loan Parties, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender or Issuer as the case may be for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the Note subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for such surrendered Note, a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be dated the same date as the surrendered Notes and be substantially in the form of Exhibit A.

(e) In addition to the other assignment rights provided in this Section 10.7, each Lender may assign, as collateral or otherwise, any of its rights under this Agreement (including, without limitation, right to payment of principal of or interest on the Note), to any Federal Reserve Bank without notice to or consent of the Borrower or the Agent. The terms and conditions of any such assignment and the documentation evidencing such assignment shall be in form and substance satisfactory to the assigning Lender and the assignee Federal Reserve Bank.

(f) Each Lender may sell participations to one or more banks or other Persons in or to all or a portion of its rights and obligations under the Loan Documents (including, without limitation, all or a portion of its Commitments, commitment to issue Letters of Credit, the Letter of Credit Obligations owing to it and the Loans owing to it and the Note held by it). The terms of any such participation shall not, in any event, require the participant's consent to any amendments, waivers or other modifications of any provision

of any Loan Documents, the consent to any departure by any Loan Party therefrom, or to the exercising or refraining from exercising any powers or rights which such Lender may have under or in respect of the Loan Documents (including, without limitation, the right to enforce the obligations of the Loan Parties), except if any such amendment, waiver or other modification or consent would reduce the amount, or postpone any date fixed for, any amount (whether of principal, interest or fees) payable to such participant under the Loan Documents, to which such participant would otherwise be entitled under such participation, or result in the release of all or substantially all of the Collateral, other than in accordance with Section 7.4 hereof or the Collateral Documents. In the event of the sale of any participation by any Lender, (i) such Lender's obligations under the Loan Documents shall remain unchanged (including, without limitation, its Commitment and commitment hereunder to issue Letters of Credit), (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of such Note and Obligations for all purposes of this Agreement, and (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(g) Each participant shall be entitled to the benefits of Sections 2.10, 2.12, and 2.14 as if it were a Lender.

10.8. Replacement Lenders. Upon the default of any Lender with respect to its obligations hereunder to the Agent, any other Lender, any Issuer or the Borrower, such defaulting Lender may, at the election of the Borrower or the Agent, be replaced by the Borrower or the Agent (neither of which will be under any obligation to do so), as the case may be, if such default shall continue for five (5) Business Days, by providing written notice to the Lender to be replaced and if such replacement is being effected by the Borrower to the Agent, which notice shall set forth the name of the replacement Lender (the "Replacement Lender"), which must be an Eligible Assignee, and the Lender being so replaced shall take all action as may be necessary to transfer to such Replacement Lender the Note and all of the rights and obligations hereunder of the Lender being so replaced, and such Replacement Lender shall pay to the Lender being so replaced the amount outstanding of the Revolving Credit Loan made by such Lender hereunder. Such

assignment shall be in accordance with the provisions of Section 10.7 hereof.

10.9. Governing Law; Severability. This Agreement and the Notes and the rights and obligations of the parties hereto and thereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

10.10. Submission to Jurisdiction; Service of Process. (a) Any legal action or proceeding with respect to this Agreement or any Loan Document may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower hereby accepts unconditionally for itself and in respect of its property, the jurisdiction of the aforesaid courts for purposes of this Section 10.10(a). The parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which any of them may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(b) The Borrower irrevocably consents to the service of process of any of the aforesaid courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address provided herein.

(c) Nothing contained in this Section 10.10 shall affect the right of the Agent, any Lender or any holder of a Series C Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

10.11. Section Titles. The table of contents and Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

10.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

10.13. Entire Agreement. This Agreement, together with all of the other Loan Documents and all certificates and documents delivered hereunder or thereunder, embodies the entire agreement of the parties and supersedes all prior agreements and understandings relating to the subject matter hereof.

10.14. Confidentiality. Unless otherwise agreed to in writing by the Borrower, the Agent and each of the Lenders hereby agree to keep all Proprietary Information (as defined below) confidential and not to disclose or reveal any Proprietary Information to any Person other than the Agent's or such Lender's directors, officers, employees, Affiliates, agents, representatives and advisors and to actual or potential Eligible Assignees and participants and potential investors in the Agent or such Lender, and who, in each case, are advised of the confidential nature of such information; provided that the Agent or any Lender may disclose Proprietary Information (a) as required (in the sole judgment of the Agent or Lender) by law, rule, regulation or judicial process, (b) to its attorneys and accountants, or (c) as requested or required by any state, federal or foreign authority or examiner regulating banks and banking. For purposes of this Agreement, the term "Proprietary Information" shall include all information about the Borrower and its Subsidiaries which has been furnished by the Borrower or any of its Subsidiaries to the Agent or the Lenders, whether furnished before or after the date hereof, and regardless of the manner in which it is furnished; provided that Proprietary Information does not include information which (a) is or becomes generally available to the public other than as a result of a disclosure by the Agent or any Lender not permitted by this Agreement, (b) was available to the Agent or any Lender on a nonconfidential basis prior to its disclosure to the Agent or any Lender by the Borrower or any of its Subsidiaries, or (c) becomes available to the Agent or any Lender on a nonconfidential basis from a Person other than the Borrower or its Subsidiaries who, to the best knowledge of the Agent or any Lender, as the case may be, is not bound by a confidentiality agreement with the Borrower or any of its

Subsidiaries or is not otherwise prohibited from transmitting the information to the Agent or any Lender.

10.15. Waiver of Jury Trial. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement and each other Loan Document, and any course of conduct, course of dealing, verbal or written statement or action of any party hereto or thereto.

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

FEDERATED DEPARTMENT STORES, INC.,
as Borrower

By: /s/ Ronald W. Tysoe
Name: Ronald W. Tysoe
Title: Vice Chairman and
Chief Financial Officer

CITIBANK, N.A.,
as Agent

By: /s/ Arnold Ziegel
Name: Arnold Ziegel
Title: Vice President

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By: /s/ John E. O'Connor
Name: John E. O'Connor
Title: First Vice President

Address:
50 Rockefeller Plaza
New York, N.Y. 10020
Attn: John J. Wagner

CHEMICAL BANK

By: /s/ Kurt C. Jomo
Name: Kurt C. Jomo
Title: Vice President

Address:
270 Park Avenue
New York, N.Y. 10017
Attn: Kurt Jomo

MELLON BANK, N.A.

By: /s/ Peter Austin
Name: Peter Austin
Title: Vice President

Address:
One Mellon Bank Center
Pittsburgh, PA 15258
Attn: Peter Austin

LENDERS

CITIBANK, N.A.

Commitment

\$130,000,000

By: /s/ Arnold Ziegel
Name: Arnold Ziegel
Title: Vice President

SOCIETE GENERALE, NEW YORK BRANCH

Commitment

\$70,000,000

By: /s/ John E. O'Connor
Name: John E. O'Connor
Title: First Vice President

MELLON BANK, N.A.

Commitment

\$70,000,000

By: /s/ Peter Austin
Name: Peter Austin
Title: Vice President

CHEMICAL BANK

Commitment

\$50,000,000

By: /s/ Kurt C. Jomo
Name: Kurt C. Jomo
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

Commitment

\$25,000,000

By: /s/ Peter R. White
Name: Peter R. White
Title: Director

IBJ SCHRODER BANK & TRUST COMPANY

Commitment

\$10,000,000

By: /s/ David G. Goodall
Name: David G. Goodall
Title: Assistant Vice President

STAR BANK, N.A.

Commitment

\$8,333,333

By: /s/ Thomas D. Horninger
Name: Thomas D. Horninger
Title: Vice President

THE FIFTH THIRD BANK

Commitment

\$8,333,333

By: /s/ Paul Reynolds
Name: Paul Reynolds
Title: Vice President

THE CENTRAL TRUST COMPANY, N.A.

Commitment
\$8,333,333

By: /s/ Richard J. Hendrix
Name: Richard J. Hendrix
Title: Vice President

SCHEDULE I

| <u>Issuers</u> | <u>Commitments</u> |
|-----------------------------------|----------------------------|
| IBJ Schroder Bank & Trust Company | \$100,000,000 |
| Chemical Bank | \$ 50,000,000 |
| Citibank, N.A. | \$130,000,000 ¹ |

1. Citibank's commitment to issue Letters of Credit after the Closing Date shall be reduced to \$25,000,000.

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

Chemical Bank

Address for Notices:

270 Park Avenue, 10th Floor
New York, N.Y. 10017
Attention: Kurt C. Jomo

Telephone No.: (212) 270-4669
Telecopy No.: (212) 270-1474

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

IBJ Schroder Bank & Trust Company

Address for Notices:

One State Street
New York, N.Y. 10004
Attention: David G. Goodall

Telephone No.: (212) 858-2641

Telecopy No.: (212) 858-2768

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

Mellon Bank, N.A.

Address for Notices:

One Mellon Bank Center
Pittsburgh, PA 15258
Attention: Peter S. Austin

Telephone No.: (412) 234-2465
Telecopy No.: (412) 236-1914

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

Societe Generale, New York Branch

Address for Notices:

50 Rockefeller Plaza, 14th floor
New York, N.Y. 10020
Attention: John J. Wagner

Telephone No.: (212) 830-6736
Telecopy No.: (212) 581-8793

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

The Central Trust Company, N.A.

Address for Notices:

201 East 5th Street
Cincinnati, OH 45201
Attention: Rick J. Hendrix

Telephone No.: (513) 651-8688
Telecopy No.: (513) 651-8952

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

The Fifth Third Bank

Address for Notices:

38 Fountain Square Plaza
Cincinnati, Ohio 45263
Attention: Sandra Lobert

Telephone No.: (513) 579-5280
Telecopy No.: (513) 579-5226

SCHEDULE II

APPLICABLE DOMESTIC LENDING OFFICE

Name of Lender:

The First National Bank of Boston

Address for Notices:

U.S. Lending Mail Stop 01-06-07
100 Federal Street
Boston, MA 02110
Attention: Peter R. White

Telephone No.: (617) 434-3680
Telecopy No.: (617) 434-0630

SCHEDULE III

APPLICABLE EURODOLLAR LENDING OFFICE

Name of Lender:

Chemical Bank

Address for Notices:

270 Park Avenue, 10th Floor
New York, N.Y. 10017
Attention: Kurt C. Jomo

Telephone No.: (212) 270-4669
Telecopy No.: (212) 270-1474

SCHEDULE III

APPLICABLE EURODOLLAR LENDING OFFICE

Name of Lender:

IBJ Schroder Bank & Trust Company

Address for Notices:

One State Street
New York, N.Y. 10004
Attention: David G. Goodall

Telephone No.: (212) 858-2641
Telecopy No.: (212) 858-2768

SCHEDULE III

APPLICABLE EURODOLLAR LENDING OFFICE

Name of Lender:

Mellon Bank, N.A.

Address for Notices:

One Mellon Bank Center
Pittsburgh, PA 15258
Attention: Peter S. Austin

Telephone No.: (412) 234-2465
Telecopy No.: (412) 236-1914

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APPLICABLE EURODOLLAR LENDING OFFICE

Name of Lender:

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Attention: Peter R. White

Telephone No.: (617) 434-3680

Telecopy No.: (617) 434-0630

Schedule 1.1 to Credit Agreement

Summary of the Borrower's Cash Management System

The Borrower's cash management system is very simple; all deposited funds flow from the Depository Accounts into the Corporate Concentration Accounts and all funding of Disbursement Accounts is done from the Corporate Concentration Accounts.

The principal components of the Borrower's cash management system are described below:

(a) Depository Accounts.

(i) Each individual department store location of each of the Operating Subsidiaries has its own individual depository account(s) (collectively, the "Local Depository Accounts"). Cash and checks representing the proceeds of inventory and services are deposited into the Local Depository Accounts. In addition, "in-house" charge card bills (those bills relating to charge cards issued by an Operating Subsidiary) that are paid at the department store locations rather than through the mail (the "In-Store

Payments") are deposited into the Local Depository Accounts.^{1/}

- (ii) On a daily basis, all collected funds on deposit in the Local Depository Accounts are transferred, via wire or Automated Clearing House, from the Local Depository Accounts to the concentration accounts of the Subsidiary.
- (iii) Third-party charge card payments, such as American Express, VISA, and MasterCard are either deposited in the Subsidiary Concentration Accounts or deposited directly in the Corporate Concentration Accounts.
- (iv) Also, on a daily basis, all collected funds on deposit in the Subsidiary Concentration Accounts are automatically transferred to the corporate concentration account of the Borrower (the "Corporate Concentration Accounts").

1/ Federated's Operating Subsidiaries sell their accounts receivable to affiliated credit corporations, Federated Credit Corporation and Allied Stores Credit Corporation (respectively "F-Credit" and "A-Credit"). On a daily basis, Federated wire transfers to F-Credit and A-Credit, as applicable, from its Corporate Concentration Accounts (as such term is hereinafter defined) amounts equal to the In-Store Payments. F-Credit and A-Credit pay their corporate obligations from their own segregated accounts, generally apart from the cash management system of Federated. Federated and its Operating Subsidiaries, however, do make payments on behalf of F-Credit and A-Credit from time to time on account of processing and other operating expenses, for which F-Credit and A-Credit reimburse Federated and/or the applicable Operating Subsidiary on a regular, ordinary course basis.

(b) Disbursement Accounts.

- (i) Each Operating Subsidiary issues its own checks from its own disbursement account(s).
- (ii) When an Operating Subsidiary requires funds to meet obligations, the Borrower transfers funds sufficient to cover such obligations from a Corporate Concentration Account to one of such Operating Subsidiary's disbursement accounts.
- (iii) With respect to the Borrower's corporate payroll, tax, and other obligations, the Borrower transfers funds necessary to pay checks issued on their payroll, tax, and related accounts, from its Corporate Concentration Accounts.

Schedule 1.2

OPERATING SUBSIDIARIES

Abraham & Straus, Inc.

Bloomingdale's, Inc.

The Bon, Inc.

Burdines, Inc.

Jordan Marsh Stores Corporation

Lazarus, Inc.

Rich's Department Stores, Inc.

Stern's Department Stores, Inc.

SCHEDULE 3.1

CHANGES TO CORPORATE STRUCTURE
SINCE FEBRUARY 5, 1992

Bloomingdale's Third Avenue Real Estate, Inc. - dissolved 4/2/92
Hampton Bays Plaza, Inc. - dissolved 4/2/92
Maas Properties, Inc. - dissolved 4/2/92
Plymouth! Real Estate, Inc. - dissolved 4/2/92
Retail Service, Inc. - dissolution pending - evidence not back
from the state yet
Stern's-Market East, Inc. - dissolved 4/2/92

Schedule 4.3

Schedule 4.3(1)

Waivers of Statute of Limitations

| <u>Taxing Jurisdiction</u> | <u>Company Taxing</u> | <u>Years</u> | <u>Waiver Expires</u> |
|----------------------------|-----------------------------|---|---|
| Connecticut | Jordan Marsh | 12/87 and 1/88 | 6/30/92 |
| | Ann Taylor | 12/87 and 1/88 | 6/30/92 |
| | Brooks Brothers | 12/87, 1/88 and 4/88 | 6/30/92 |
| | Bloomingdale's By Mail | 1/88 | 6/30/92 |
| | Federated Department Stores | 1/88 | 6/30/92 |
| Kentucky | Federated Department Stores | 1/87 | 7/12/92 |
| Federal: | Federated Department Stores | 1/85 1/86 1/87 1/88 5/88 | 6/30/93 6/30/93 6/30/93 6/30/93 6/30/93 |
| | Allied Stores Corporation | 1/82 1/83 1/84 1/85 1/86 12/86 | 12/31/93 12/31/93 12/31/93 12/31/93 12/31/93 6/30/93 |
| | Federated Stores, Inc. | 12/87 1/88 1/89 | 6/30/93 6/30/93 6/30/93 |

Section 4.3(iii)

No audits are currently being conducted as of this date (May 12, 1992).

In connection with the reorganization proceedings, Federated and Allied litigated two issues with the IRS before the Bankruptcy Court. The issues, involving the use by Federated of an aggregate of \$27.0MM of NOL's of an acquired company and the deductibility of approximately \$176.3MM of so-called "break-up fees," were resolved in favor of the companies. The IRS has appealed the Bankruptcy Court's determination of these issues.

Section 4.3(iv)

No §481(a) adjustments.

Section 4.3(iv)

Under an indemnification agreement entered into pursuant to the Plan of Reorganization, Ralphs Grocery Company (Ralphs), a former subsidiary of Federated Stores, Inc. would be generally liable to Federated for 21% of the first \$71.43MM of any incremental tax liability with respect to the Plan of Reorganization's gains. Federated is responsible for any liabilities above that amount.

On February 5, 1992, pursuant to the Plan of Reorganization, new Federated and its subsidiaries entered into an intercompany tax sharing agreement. The agreement authorizes the filing of consolidated federal and state income tax returns and provides for the sharing of the federal and state income tax liability relating to the consolidated returns.

RCS
5/13/92

SCHEDULE 4.5 (c)

NONE AS OF FEBRUARY 5, 1992

SCHEDULE 4.7

| <u>Subsidiary</u> | <u>Jurisdiction of Incorporation</u> | <u>Shares Authorized</u> | <u>Shares Issued</u> | <u>Shares owned Directly or Indirectly by Federated Department Stores, Inc.</u> |
|--|--------------------------------------|--------------------------|----------------------|---|
| A&S Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Abraham & Straus, Inc. | Ohio | 100 | 100 | 100 |
| Allied Mortgage Financing Corp.* | Delaware | 1,000 | 1 | 1 |
| Allied Stores Credit Corporation | Delaware | 100 | 100 | 100 |
| Allied Stores Credit Holdings Corporation | Delaware | 100 | 100 | 100 |
| Allied Stores General Real Estate Company | Delaware | 100 | 100 | 100 |
| Allied Stores International, Inc.* | New York | 1,000 | 500 | 500 |
| Allied Stores International Sales Company, Inc.* | New York | 200 | 100 | 100 |
| Allied Stores Marketing Corp.* | New York | 500 | 100 | 100 |
| Astoria Realty, Inc.* | Delaware | 1,000 | 1 | 1 |
| Auburndale Realty, Inc.* | Delaware | 1,000 | 1 | 1 |
| BFC Real Estate Company | Delaware | 100 | 100 | 100 |
| Bloomingdale's By Mail Ltd. | New York | 1,000 | 1 | 1 |
| Bloomingdale's, Inc. | Ohio | 100 | 100 | 100 |
| Bloomingdale's Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Burdines, Inc. | Ohio | 100 | 100 | 100 |

| <u>Subsidiary</u> | <u>Jurisdiction of Incorporation</u> | <u>Shares Authorized</u> | <u>Shares Issued</u> | <u>Shares owned Directly or Indirectly by Federated Department Stores, Inc.</u> |
|--|--------------------------------------|--------------------------|----------------------|---|
| Burdine's Main Store Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Burdine's Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Burdine's Real Estate II, Inc. | Delaware | 100 | 100 | 100 |
| Douglas Plaza, Inc.* | Delaware | 1,000 | 1 | 1 |
| Federated Claims Services Group, Inc. | Delaware | 25,000 | 14,600 | 14,600 |
| Federated Credit Corporation | Ohio | 1,000 | 1 | 1 |
| Federated Credit Holdings Corporation | Delaware | 1,000 | 1 | 1 |
| Federated Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Federated Stores Realty, Inc. | Delaware | 100 | 100 | 100 |
| Jor-Mar, Inc.* | Delaware | 250 | 250 | 250 |
| Jordan Marsh Insurance Agency, Inc. | Massachusetts | 7,500 | 100 | 100 |
| Jordan Marsh Stores Corporation | Ohio | 100 | 100 | 100 |
| Jordan Servicenter, Inc.* | Delaware | 1,000 | 1 | 1 |
| Lazarus, Inc. | Ohio | 100 | 100 | 100 |
| Lazarus Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Retail Service, Inc.* | Michigan | 5,000 | 500 | 500 |
| Rich's Department Stores, | Ohio | 100 | 100 | 100 |

| <u>Subsidiary</u> | <u>Jurisdiction of Incorporation</u> | <u>Shares Authorized</u> | <u>Shares Issued</u> | <u>Shares owned Directly or Indirectly by Federated Department Stores, Inc.</u> |
|--|--------------------------------------|--------------------------|----------------------|---|
| Rich's Main Store Real Estate, Inc.* | Delaware | 1,000 | 1 | 1 |
| Rich's Real Estate, Inc. | Delaware | 100 | 100 | 100 |
| Saramaas Realty Corp. | Florida | 1,000 | 1,000 | 1,000 |
| Seven West Seventh, Inc. | Delaware | 100 | 100 | 100 |
| Stern's Department Stores, Inc. | Ohio | 100 | 100 | 100 |
| Stern's - Echelon, Inc. | Delaware | 1,000 | 1 | 1 |
| Stern's - Granite Run, Inc. | Delaware | 1,000 | 1 | 1 |
| Stern's - Moorestown, Inc. | Delaware | 1,000 | 1 | 1 |
| The Bon, Inc. | Ohio | 100 | 100 | 100 |
| Tukwila Warehousing Services Corporation | Washington | 1,000 | 50 | 50 |
| 22 East Advertising Agency, Inc. | Florida | 6,000 | 100 | 100 |
| 22 East Realty Corporation | Florida | 1,000 | 100 | 100 |

* The Borrower proposes to dissolve these entities pursuant to the authority granted in the Confirmation Order and/or upon receipt, by the Borrower, of all necessary consents.

Schedule 4.8

LIST OF PLANS

Qualified Plans

Allied Stores Corporation, Profit Sharing-Investment Plan

Federated Department Stores, Inc., Retirement Income and Thrift Incentive Plan

Title IV Plans

Allied Stores Corporation, Retirement Benefit Plan

Federated Department Stores, Inc., Pension Plan

Employees Retirement Plan of Burdines

Unfunded Pension Plans

Supplementary Executive Retirement Plan

Welfare Benefit Plans

Federated Health Care Plan

Federated Senior Executive Medical Dental Plan

Executive Group Life Insurance

Federated Optional Life Insurance Plan

Bloomingdale's Electricians and Engineers Life Ins.

A & S MBA Life Insurance

Allied Stores Medical Plan

Allied Optional Life Insurance Plan

Allied Senior Executive Medical Dental Plan

Allied Basic Life Plan

Multiemployer Plans

Local 30 Health and Welfare Plan

Union Health Plan

Industry National Plan

I.B.E.W. Plan

I.B.E.W. Welfare Plan

Storeworker Security Plan

Drug Employee Trust

Teamsters Plan

Washington Teamsters Plan

Tru-Union Health Fund

SCHEDULE 4.12

JOINT VENTURES OR PARTNERSHIPS IN WHICH
THE BORROWER OR ITS SUBSIDIARIES ACT AS GENERAL PARTNER

None.

Schedule 4.15

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|------------------|--|---|
| Abraham & Straus | I.U.O.E. Local #30 | Mechanics, Engineers Painters & Carpenters |
| | | White Plains |
| | I.U.O.E. Local #30A & 30B | Mechanics & Engineers |
| | | Carle Place Hempstead Huntington Manhasset Queens Smithhaven Sunrise Valley Stream |
| | I.U.O.E. Local #30 | Engineers & Boiler Mechanics |
| | | Brooklyn |
| | New York Building & Construction Trades Council | Carpenters, Painters & Pipefitters |
| | | Brooklyn Manhattan Queens Valley Stream |
| | I.B.P.A.T Local #1486 | Painters |
| | | Carle Place Hempstead Huntington Manhasset Smithhaven Sunrise |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|------------------|------------------------------|--|
| Abraham & Straus | U.B.C.J.A. Nassau County | Carpenters Huntington Hempstead Manhasset |
| | U.B.C.J.A. Suffolk County | Carpenters Smithhaven |
| | I.B.E.W. Local #25 | Electricians Hempstead Huntington Manhasset Smithhaven Sunrise Valley Stream |
| | I.U.O.E. Local #68 | Mechanics & Engineers Monmouth Woodbridge Paramus Short Hills Distribution Center |
| | I.B.E.W. Local #3 | Electricians Brooklyn Queens |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|--|--|
| Bloomingdale's | United Storeworkers RWDSU Local 3 | 59th Street Hunters Point Maspeth |
| | International Brotherhood Electrical Workers Local 3 | 50th Street Hunters Point Maspeth |
| | International Union of Operating Engineers Local 68 | Bergen County Short Hills |
| | International Union of Operating Engineers Local 30 | White Plains Garden City 50th Street Two Warehouses |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|---------------------------|--|
| The Bon Marché | UFCW - Local 1001 - Metro | Retail Clarks 1001 - Metro Central Northgate Southcenter Mall Store Budget Warehouse |
| | UFCW - Local 1001 - AOB | Retail Clerks Alderwood (Lynnwood) |
| | UFCW - Local 1001 ELB | Maintenance 1001 ELB Everett Mall |
| | UFCW - Local 1001 HFB | Retail Clerks 1001 HFB Home Furnishings Store |
| | UFCW - Local 1001 | Pharmacists 330 |
| | UFCW - Local 1001 FMB | Retail Clerks 1001 FMB Sea Tac |
| | UFCW - Local 1001 Clemby | Retail Clerks 1001 - Clemby Central Northgate Seattle Tukwila |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|--|--|--|
| The Bon Marché | United Food and Commercial Workers Local 8 | Retail Clerks Great Falls |
| | United Food and Commercial Workers Union Local 367 | Retail Clerks Tacoma Mall |
| | United Food and Commercial Workers Union Local 555 | Retail Clerks Longview |
| | United Food and Commercial Workers Union Local 44 | Retail Clerks Bellingham |
| Office Worker's Division of Driver Sales and Warehouse Local 117 | Office Worker's | Central Office Northgate Southcenter Mall Store Tukwila |
| Office Worker's Division of Driver Sales and Warehouse Local 117 | Office Worker's | Sea Tac |
| Retail and Wholesale Warehousemen's Union Local 117 | Driver Sales & Warehousemen | Central Northgate Tukwila Southcenter Mall Sea Tac |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|---|--|
| The Bon Marché | General Teamsters Union Local 174 | General Teamsters 174 Tukwila Warehouse Service |
| | International Union of Operating Engineers Local 286 | Garage Teamsters Seattle |
| | Teamsters Union Local 582 | Warehousemen Spokane |
| | Warehouse, Special Services and Driver Sales Union Local 599 | Warehousemen Tacoma |
| | Automotive, Clerical and Municipal Employees Teamsters Local 882 | Service Garage Central |
| | Service Employees International Union Local 6 | Building Services Central Office Northgate Central Southcenter Mall Store Distribution Center Spokane (65) |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|---|--|
| The Bon Marché | Hotel and Restaurant Employees Local 8 | <u>Restaurant</u> Northgate Central Southcenter Mall Store Tacoma (8T) |
| | Hotel and Restaurant Employees Local 101 | <u>Restaurant Employees</u> Great Falls |
| | Amalgamated Clothing Workers of America Journeyman Tailor Local 71 | <u>Tailors</u> Northgate Central Southcenter Mall Store |
| | Sign and Pictorial Painters, Paintmakers and Allied Local 1094 | <u>Journey Card 1094J</u> Central Office |
| | | <u>Machine Card 1094M</u> Central Office |
| | United Brotherhood of Carpenters and Joiners of America Local 1238 | <u>Carpenter</u> Seattle Southcenter Northgate Distribution Center |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|---|--|
| Jordan Marsh | United Food & Commercial Workers Union Local 1445 | Downtown Boston |
| | Service Employees International Union Local 254 | Downtown Boston |
| | United Brotherhood of Carpenters & Joiners of America Local 475 | Downtown Boston |
| | United Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America Local 82 | Brockton ~Distribution Center (Hi-Bay) |

COLLECTIVE BARGAINING AGREEMENTS

| <u>Division</u> | <u>Union</u> | <u>Employees Covered</u> |
|-----------------|---|---|
| Stern's | International Union of Operating Engineers Local 68 | New Jersey |
| | International Brotherhood of Electrical Workers Local 1922 | Nassau Counties Suffolk Counties |
| | International Brotherhood of Electrical Workers Local 3 | New York |
| | United Storeworkers R.W.D.S.U. Local 2567 | <u>Distribution Center</u> Liberty Park Wayne |

SCHEDULE 4.19

MATERIAL INTELLECTUAL PROPERTY DISPUTES

None.

SCHEDULE 4.20

**DEBT OF THE BORROWER AND ITS SUBSIDIARIES AS OF THE CLOSING DATE:
(FOR BORROWED MONEY)
(THOUSANDS)**

RECEIVABLES FACILITIES:

FEDERATED CREDIT CORPORATION
ALLIED STORES CREDIT CORPORATION

1,000,000
525,000

| | |
|-----------------------------------|------------|
| SERIES A SECURED NOTES | |
| SERIES B SECURED NOTES | 324,076 ** |
| SENIOR CONVERTIBLE DISCOUNT NOTES | 379,893 ** |
| SUBSIDIARY TRADE OBLIGATIONS | 261,938 |
| ADMINISTRATIVE TAX NOTES | 101,500 |
| NOTE MONETIZATION | 51,422 * |
| CAPITALIZED LEASES | 352,000 |
| IBM EPOS | 53,757 |
| LINCOLN LIFE MORTGAGE | 1,692 |
| PRUDENTIAL REAL ESTATE MORTGAGE | 937 |
| CONN GENERAL MORTGAGE | 356,523 |
| EQUITABLE MORTGAGE (UTAH) | 97 |
| EQUITABLE MORTGAGE (MASS) | 354 |
| MET LIFE MORTGAGE | 272 |
| JOHN HANCOCK MORTGAGE | 1,452 |
| AMERICAN GENERAL MORTGAGE | 1,660 |
| NEW ENGLAND LIFE MORTGAGE | 424 |
| | 2,488 |
| TOTAL NON-RECEIVABLES DEBT | 1,890,485 |

* THIS AMOUNT IS AS OF MAY 2, 1992

** THESE AMOUNTS ARE SUBJECT TO CHANGE PURSUANT TO THE EQUITY OFFERING

SCHEDULE 4.21

RESTRICTED PAYMENTS SINCE FEBRUARY 5, 1992:

NONE

SCHEDULE 6.15

INTEREST RATE CONTRACTS AS OF MAY 20, 1992:

| BUYER | BANK | BASIS | AMOUNT |
|-------|----------------------|-------|-----------------------|
| FDS | NATIONAL WESTMINSTER | LIBOR | \$200,000,000 |
| | SUMITOMO | LIBOR | \$100,000,000 |
| | SOCIETE GENERALE | LIBOR | \$100,000,000 |
| FCC | JP MORGAN | CP | \$300,000,000 |
| | SOCIETE GENERALE | CP | \$200,000,000 |
| | SUMITOMO | CP | \$100,000,000 |
| | SANWA | CP | \$100,000,000 |
| ASCC | NATIONAL WESTMINSTER | CP | \$100,000,000 |
| | SUMITOMO | CP | \$200,000,000 |
| | SANWA | CP | \$100,000,000 |
| | | | <hr/> \$1,500,000,000 |

NOTE: ALL CAPS ARE FOR THE TIME PERIOD 2/3/92 - 2/3/95.
 ALL CAPS ARE FOR 5% FOR THE FIRST YEAR, 6% FOR THE
 SECOND YEAR AND 7% FOR THE THIRD YEAR.

SCHEDULE 7.1

**PERMITTED LIENS NOT OTHERWISE
PROVIDED FOR IN DEFINITION OF PERMITTED LIENS**

The deposit arrangement entered into by SABRE, a division of the Borrower, for the deposit into escrow of software, data and materials relating to systems and applications used by SABRE in connection with its performance under various contracts to provide data processing and information services to third parties.

SCHEDULE 7.2

EXISTING DEBT AS OF THE CLOSING DATE: (THOUSANDS)

RECEIVABLES FACILITIES:

FEDERATED CREDIT CORPORATION
ALLIED STORES CREDIT CORPORATION

1,000,000
525,000

| | | |
|-----------------------------------|---------|----|
| SERIES A SECURED NOTES | | |
| SERIES B SECURED NOTES | 324,076 | ** |
| SENIOR CONVERTIBLE DISCOUNT NOTES | 379,893 | ** |
| SUBSIDIARY TRADE OBLIGATIONS | 261,938 | |
| ADMINISTRATIVE TAX NOTES | 101,500 | |
| NOTE MONETIZATION | 51,422 | * |
| CAPITALIZED LEASES | 352,000 | |
| IBM EPOS | 53,757 | |
| LINCOLN LIFE MORTGAGE | 1,692 | |
| PRUDENTIAL REAL ESTATE MORTGAGE | 937 | |
| CONN GENERAL MORTGAGE | 356,523 | |
| EQUITABLE MORTGAGE (UTAH) | 97 | |
| EQUITABLE MORTGAGE (MASS) | 354 | |
| MET LIFE MORTGAGE | 272 | |
| JOHN HANCOCK MORTGAGE | 1,452 | |
| AMERICAN GENERAL MORTGAGE | 1,660 | |
| NEW ENGLAND LIFE MORTGAGE | 424 | |
| | 2,488 | |

TOTAL NON-RECEIVABLES DEBT

1,890,485

STANDBY LETTERS OF CREDIT

| | EXPIRY | AMOUNT |
|----------------|---------|--------|
| LIBERTY MUTUAL | 1/31/93 | |
| AMC | 1/30/93 | 44,054 |
| LIBERTY MUTUAL | 1/30/93 | 56,000 |
| LIBERTY MUTUAL | 7/31/92 | 200 |
| LIBERTY MUTUAL | 9/1/92 | 10 |
| LIBERTY MUTUAL | 8/3/92 | 3,000 |
| LIBERTY MUTUAL | 1/31/93 | 20 |
| LIBERTY MUTUAL | 5/1/93 | 4,850 |
| LIBERTY MUTUAL | 5/1/93 | 500 |
| SAFECO | 1/31/93 | 240 |
| AIG | 1/31/93 | 950 |
| | | 6,500 |

TOTAL STANDBY LETTERS OF CREDIT

116,324

* THIS AMOUNT IS AS OF MAY 2, 1992
** THESE AMOUNTS ARE SUBJECT TO CHANGE PURSUANT TO THE EQUITY OFFERING

SCHEDULE 7,6

MAXIMUM AMOUNT THAT ACCRUED BENEFIT
LIABILITIES OF THE ALLIED PENSION PLAN
MAY BE INCREASED BY REASON OF AMENDMENT:

\$8,000,000

SCHEDULE 7.12

CONTINGENT OBLIGATIONS

- Guaranty by Federated Department Stores, Inc. of its Subsidiaries' Trade Payables
- Trade Letters of Credit as of the Closing Date

| <u>Expiration Date</u> | <u>Beneficiary</u> | <u>Issuing Bank</u> | <u>Amount</u> |
|------------------------|--------------------|---------------------|---------------|
| 6/30/92 | AMC - Hong Kong | Chemical | 1,200,937 |
| 6/30/92 | AMC - Singapore | Chemical | 614,351 |
| 6/30/92 | AMC - Hong Kong | IBJ Schroeder | 1,141,584 |
| 6/30/92 | AMC - Singapore | IBJ Schroeder | 648,438 |

- Contingent Obligations of Federated Department Stores, Inc. with respect to Operating Leases and Capital Leases of its Subsidiaries
- Contingent Obligations of the Finance Subsidiaries with respect to indemnities, expenses, and similar obligations arising under the Receivables Credit Agreements.

EXHIBIT 10.3.1

FEDERATED DEPARTMENT STORES, INC.
7 West Seventh Street
Cincinnati, Ohio 45202

July 15, 1992

CITIBANK, N.A.
399 Park Avenue
New York, New York 10043

Gentlemen:

Reference is made to that certain Credit Agreement, dated as of May 20, 1992, among Federated Department Stores, Inc., as Borrower, Citibank, N.A., as Agent, Mellon Bank, N.A., Societe Generale, New York Branch, and Chemical Bank, as Co-Agents and the Lenders Parties thereto (the "Credit Agreement"). Capitalized terms used herein that are not defined herein shall have the meaning assigned to such terms in the Credit Agreement.

The parties hereto hereby agree to amend and restate Schedule I to the Credit Agreement in its entirety in the form set forth as Exhibit 1 hereto.

If the terms of this Amendment Letter are acceptable to you, please return an executed copy of this Amendment Letter to the undersigned.

Very truly yours,

FEDERATED DEPARTMENT STORES, INC.

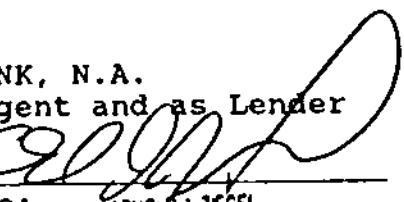
By: Karen M. Hoguet

Name: Karen M. Hoguet

Title: Senior Vice President - Planning
and Treasurer

Accepted and Agreed to on
this 15 day of July, 1992

CITIBANK, N.A.
as Agent and as Lender

By: 
Name: ARNOLD J. ZIEGEL
Title: Vice President
Citibank, N.A.

SOCIETE GENERALE, NEW YORK BRANCH
as Co-Agent and as Lender

By: _____
Name:
Title:

CHEMICAL BANK
as Co-Agent and as Lender

By: _____
Name:
Title:

MELLON BANK, N.A.
as Co-Agent and as Lender

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: _____
Name:
Title:

Accepted and Agreed to on
this 17th day of July, 1992

CITIBANK, N.A.
as Agent and as Lender

By: _____

Name:

Title:

SOCIETE GENERALE, NEW YORK BRANCH
as Co-Agent and as Lender

By: John Hogen

Name: John Hogen

Title: Vice President

CHEMICAL BANK
as Co-Agent and as Lender

By: _____

Name:

Title:

MELLON BANK, N.A.
as Co-Agent and as Lender

By: _____

Name:

Title:

THE FIRST NATIONAL BANK OF BOSTON

By: _____

Name:

Title:

Accepted and Agreed to on
this 15 day of July, 1992

CITIBANK, N.A.
as Agent and as Lender

By: _____

Name:

Title:

SOCIETE GENERALE, NEW YORK BRANCH
as Co-Agent and as Lender

By: _____

Name:

Title:

CHEMICAL BANK
as Co-Agent and as Lender

By: Kurt C. Jans

Name: Kurt C. Jans

Title: Vice President

MELLON BANK, N.A.
as Co-Agent and as Lender

By: _____

Name:

Title:

THE FIRST NATIONAL BANK OF BOSTON

By: _____

Name:

Title:

Accepted and Agreed to on
this 15 day of July, 1992

CITIBANK, N.A.
as Agent and as Lender

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH
as Co-Agent and as Lender

By: _____
Name:
Title:

CHEMICAL BANK
as Co-Agent and as Lender

By: _____
Name:
Title:

MELLON BANK, N.A.
as Co-Agent and as Lender

By: 
Name: Paul S. Avnon
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: _____
Name:
Title:

Accepted and Agreed to on
this 10 day of July, 1992

CITIBANK, N.A.
as Agent and as Lender

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH
as Co-Agent and as Lender

By: _____
Name:
Title:

CHEMICAL BANK
as Co-Agent and as Lender

By: _____
Name:
Title:

MELLON BANK, N.A.
as Co-Agent and as Lender

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: Peter R. White
Name: PETER R. WHITE
Title: DIRECTOR

IBJ SCHRODER BANK & TRUST COMPANY

By: David M. Stark
Name: DAVID G. GOODALE
Title: Assistant Vice President

STAR BANK, N.A.

By: _____
Name:
Title:

THE FIFTH THIRD BANK

By: _____
Name:
Title:

THE CENTRAL TRUST COMPANY, N.A.

By: _____
Name:
Title:

The undersigned Guarantors are the Guarantors under that certain Subsidiary Guaranty Agreement, dated as of May 29, 1992, by each of the parties listed hereunder, in favor of the Guaranteed Parties referred to therein (the "Subsidiary Guaranty"). The undersigned hereby consent to the foregoing Amendment to the Credit Agreement and hereby confirm that the Subsidiary Guaranty shall continue to secure the Obligations of the Borrower pursuant to the Credit Agreement, as amended.

A&S REAL ESTATE, INC.
ABRAHAM & STRAUS, INC.
ALLIED MORTGAGE FINANCING CORP.
ALLIED STORES INTERNATIONAL, INC.

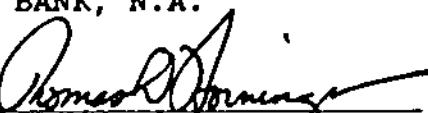
IBJ SCHRODER BANK & TRUST COMPANY

By: _____

Name:

Title:

STAR BANK, N.A.

By: 

Name: Thomas D. Horniger

Title: Vice President

THE FIFTH THIRD BANK

By: _____

Name:

Title:

THE CENTRAL TRUST COMPANY, N.A.

By: _____

Name:

Title:

The undersigned Guarantors are the Guarantors under that certain Subsidiary Guaranty Agreement, dated as of May 29, 1992, by each of the parties listed hereunder, in favor of the Guaranteed Parties referred to therein (the "Subsidiary Guaranty"). The undersigned hereby consent to the foregoing Amendment to the Credit Agreement and hereby confirm that the Subsidiary Guaranty shall continue to secure the Obligations of the Borrower pursuant to the Credit Agreement, as amended.

A&S REAL ESTATE, INC.
ABRAHAM & STRAUS, INC.
ALLIED MORTGAGE FINANCING CORP.
ALLIED STORES INTERNATIONAL, INC.

IBJ SCHRODER BANK & TRUST COMPANY

By: _____

Name:

Title:

STAR BANK, N.A.

By: _____

Name:

Title:

THE FIFTH THIRD BANK

By: 

Name: SANDRA ROBERT

Title: VICE PRESIDENT

THE CENTRAL TRUST COMPANY, N.A.

By: _____

Name:

Title:

The undersigned Guarantors are the Guarantors under that certain Subsidiary Guaranty Agreement, dated as of May 29, 1992, by each of the parties listed hereunder, in favor of the Guaranteed Parties referred to therein (the "Subsidiary Guaranty"). The undersigned hereby consent to the foregoing Amendment to the Credit Agreement and hereby confirm that the Subsidiary Guaranty shall continue to secure the Obligations of the Borrower pursuant to the Credit Agreement, as amended.

A&S REAL ESTATE, INC.
ABRAHAM & STRAUS, INC.
ALLIED MORTGAGE FINANCING CORP.
ALLIED STORES INTERNATIONAL, INC.

IBJ SCHRODER BANK & TRUST COMPANY

By: _____

Name:

Title:

STAR BANK, N.A.

By: _____

Name:

Title:

THE FIFTH THIRD BANK

By: _____

Name:

Title:

THE CENTRAL TRUST COMPANY, N.A.

By: Ronald J Headley

Name: Ronald J Headley

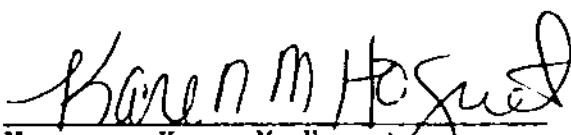
Title: Vice President

The undersigned Guarantors are the Guarantors under that certain Subsidiary Guaranty Agreement, dated as of May 29, 1992, by each of the parties listed hereunder, in favor of the Guaranteed Parties referred to therein (the "Subsidiary Guaranty"). The undersigned hereby consent to the foregoing Amendment to the Credit Agreement and hereby confirm that the Subsidiary Guaranty shall continue to secure the Obligations of the Borrower pursuant to the Credit Agreement, as amended.

A&S REAL ESTATE, INC.
ABRAHAM & STRAUS, INC.
ALLIED MORTGAGE FINANCING CORP.
ALLIED STORES INTERNATIONAL, INC.

ALLIED STORES INTERNATIONAL,
SALES COMPANY, INC.
ALLIED STORES MARKETING CORP.
ASTORIA REALTY, INC.
AUBURNDALE REALTY, INC.
BFC REAL ESTATE COMPANY
BLOOMINGDALE'S BY MAIL, LTD.
BLOOMINGDALE'S, INC.
BLOOMINGDALE'S REAL ESTATE, INC.
BURDINES, INC.
BURDINES MAIN STORE REAL
ESTATE, INC.
BURDINES REAL ESTATE, INC.
BURDINES REAL ESTATE II, INC.
DOUGLASTON PLAZA, INC.
FEDERATED CLAIMS SERVICE
GROUP, INC.
FEDERATED REAL ESTATE, INC.
FEDERATED STORES REALTY, INC.
JOR-MAR, INC.
JORDAN MARSH STORES CORPORATION
LAZARUS, INC.
LAZARUS REAL ESTATE, INC.
RETAIL SERVICE, INC.
RICH'S DEPARTMENT STORES, INC.
RICH'S MAIN STORE REAL ESTATE, INC.
RICH'S REAL ESTATE, INC.
STERN'S DEPARTMENT STORES, INC.
STERN'S - ECHELON, INC.
STERN'S - GRANITE RUN, INC.
STERN'S - MOORESTOWN, INC.
THE BON, INC.
TUKWILA WAREHOUSE SERVICES
CORPORATION
22 EAST ADVERTISING AGENCY, INC.
22 EAST REALTY CORPORATION

By:



Name: Karen M. Hoguet

Title: Senior Vice President - Planning
and Treasurer

SCHEDULE I

| <u>Issuers</u> | <u>Commitments</u> |
|-----------------------------------|----------------------------|
| IBJ Schroder Bank & Trust Company | \$100,000,000 |
| Chemical Bank | \$ 50,000,000 |
| Citibank, N.A. | \$130,000,000 ¹ |
| Mellon Bank, N.A. | \$ 40,000,000 |

1. Citibank's commitment to issue Letters of Credit after the Closing Date shall be reduced to \$25,000,000.

EXHIBIT 10.3.2

AMENDMENT NO. 3 TO THE
SERIES A NOTE AGREEMENT

AMENDMENT NO. 3, dated as of October ___, 1992, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Series A Note Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Series A Agent (in such capacity, the "Series A Agent") and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH as Series A Co-Agent (in such capacity, the "Series A Co-Agent").

WHEREAS, the Borrower, the Series A Agent, the Series A Co-Agent and the Lenders have entered into that certain Series A Note Agreement, dated as of February 5, 1992, as amended to the date hereof (the "Series A Note Agreement"). Terms defined in the Series A Note Agreement are used herein as therein defined, unless otherwise defined herein; and

WHEREAS, the Borrower and the Lenders have agreed to amend the Series A Note Agreement and to waive compliance with certain provisions therein as hereinafter set forth.

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

SECTION 1. Amendments to Series A Note Agreement. The Series A Note Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Series A Note Agreement is hereby amended as follows:

(i) the definition of "Finance Subsidiary" shall be amended and restated to read in full as follows:

"Finance Subsidiary" means any of Federated Credit Corporation, Federated Credit Holdings Corporation, Allied Stores Credit Corporation, Allied Stores Credit Holdings Corporation or Prime Receivables Corporation or any successor by merger to any of the foregoing.

(ii) the definition of "Receivables Credit Agreements" shall be amended by adding to the end thereof the following:

"and (c) the Pooling and Servicing Agreement and related documents described in Annex B hereto, in form and substance reasonably acceptable to the Agent."

(b) Section 5.9(a) of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"(i) as soon as available and in any event within thirty (30) calendar days after the end of each fiscal month except January and forty-five (45) calendar days after the end of the January fiscal month, a report, substantially in the form of Exhibit H, which shall include, without limitation, the following information: consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such month, consolidated statements of operations and cash flows of the Borrower and its Subsidiaries for such month and the period commencing at the end of the previous fiscal year and ending with the end of such month, and divisional balance sheets and profit and loss statements for such month and the period commencing at the end of the previous fiscal year and ending with the end of such fiscal month, each of which shall be prepared on a comparable basis, such report to be certified by an Authorized Officer of the Borrower as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its Subsidiaries at such date and for such period, with a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto;"

(c) Section 6.6(a) of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"(a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 6.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the

plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$30 million plus increases of \$15 million in the aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date, provided any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder, except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;"

(d) The Series A Note Agreement is hereby amended by adding as Annex B thereto Exhibit A hereto.

SECTION 2. Waivers and Consents.

(a) The Lenders hereby consent to the transactions described in the letter from the Borrower to the Lenders, dated October 14, 1992, attached hereto as Exhibit A, and in the Form S-1 Registration Statement filed by Prime Receivables Corporation with the Securities and Exchange Commission on September 24, 1992 and previously delivered to each Lender (the "Registration Statement"), provided that the final documentation related to such transactions shall be in form and substance reasonably acceptable to the Agent (the "Refinancing Transaction").

(b) The Lenders hereby (i) consent to a further amendment of the definition of "Finance Subsidiary" to include the name of a new indirect wholly-owned special purpose bankruptcy-remote subsidiary of Federated (the "New Subsidiary"), whose sole business will be to purchase variable funding certificates from Prime Receivables Corporation and to issue and repay commercial paper, and (ii) authorize the Agent to execute such amendment on their behalf.

(c) The Lenders, in connection with the Refinancing Transaction only, hereby waive compliance with each of the following: (i) Section 6.2(c), in order to allow the issuance of subordinated notes for the capitalization of the New Subsidiary and Prime Receivables Corporation and for the purchase of receivables, (ii) Section 6.5, in order to allow the Borrower to invest in the

two new subsidiaries described in Exhibit A, and (iii) Sections 6.4(c)(ii), 6.7 and 6.9(b), in order to allow for the Receivables Purchase Agreement and the Receivables Credit Agreement to be replaced by similar agreements which permit (a) the purchase price for receivables to be paid with subordinated notes and (b) the purchase by the New Subsidiary of the variable funding certificates from Prime Receivables Corporation.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lenders have executed this Amendment, and Sections 1 and 2 hereof shall become effective subject to the following conditions precedent:

(a) The Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Agent and to be in form and substance satisfactory to the Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving Amendment No. 3 to the Series A Note Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver Amendment No. 3 to the Series A Note Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default;

(iv) final documentation evidencing the Refinancing Transaction; and

(b) On the Amendment Date, the Borrower shall pay all costs and expenses of the Agent (including, without

limitation, reasonable attorneys' fees) to such date, of which the Agent and the Lenders are aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby.

SECTION 4. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1 and 2 hereof, on and after the Amendment Date each reference in the Series A Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Series A Note Agreement, shall mean and be a reference to the Series A Note Agreement, as amended hereby.

(b) Except as specifically amended above, the Series A Note Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 5. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to

be an original and all of which taken together shall constitute but one and the same Amendment.

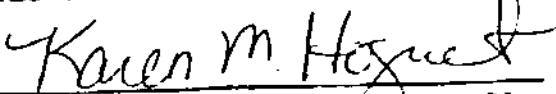
SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By:



Karen M. Hesquet
Title: Senior Vice President - Planning
and Treasurer

CITIBANK, N.A., as Series A Agent

By:



Antonio L. Lopez
Title: Vice President
CitiBank, N.A.

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By:

Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By:

Name:
Title:BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By:

Name:
Title:

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

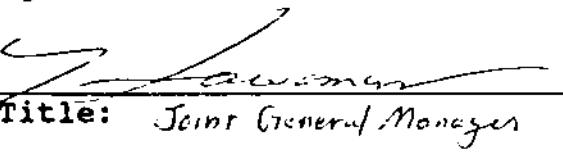
FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: 
Title: Joint General Manager

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: 
Name: Dirk Duytschaever
Title: Vice President

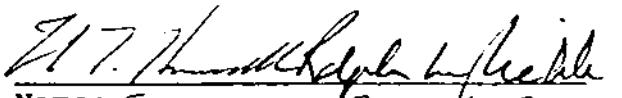
BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANC CENTRAL HISPANOAMERICANO,
S.A.

By: _____
Name:
Title:

BANCO DI ROMA, New York Branch

By: 
Name: *Ralph L. Richter*
Title: J.P. F.V.P.

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANC CENTRAL HISPANOAMERICANO,
S.A.

By: _____
Name:
Title:

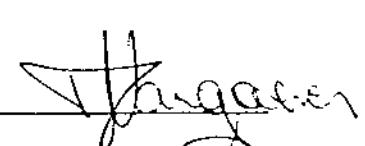
BANCO DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By:  
Name: Erik Bralans
Title: General Manager Dominiek Vangaever
A.V.P. - CREDIT

BANK OF IRELAND

By: _____
Name:
Title:

BANK OF SCOTLAND

By: 

| | |
|--------|-----------------|
| Name: | J. CRAIG WILSON |
| Title: | VICE PRESIDENT |

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK AKTIENGESELLSCHAFT, Cayman Islands Branch

By: _____

| |
|--------|
| Name: |
| Title: |

CITIBANK, N.A.

By: _____

| |
|--------|
| Name: |
| Title: |

COMMERZBANK AG, Grand Cayman Branch

By: _____

| |
|--------|
| Name: |
| Title: |

DRESDNER BANK AG, New York and Grand Cayman Branches

By: _____

| |
|--------|
| Name: |
| Title: |

BANK OF SCOTL ND

By: _____

Name:

Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK AKTIENGESELLSCHAFT, Cayman Islands Branch

By: _____

Name:

Title:

CITIBANK, N.A.

By: _____

Name:

Title:

COMMERZBANK AG, Grand Cayman Branch

By: _____

Name: KALYAN BASU

Title: First Vice President

MARY MANNION
Assistant

DRESRDNER BANK AG, New York and Grand Cayman Branches

By: _____

Name:

Title:

BANK OF SCOTLAND

By: _____

Name: _____

Title: _____

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK AKTIENGESELLSCHAFT, Cayman Islands Branch

By: _____

Name: _____

Title: _____

CITIBANK, N.A.

By: _____

Name: _____

Title: _____

COMMERZBANK AG, Grand Cayman Branch

By: _____

Name: _____

Title: _____

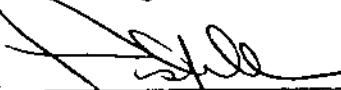
DRESDNER BANK AG, New York and
Grand Cayman Branches

By: _____

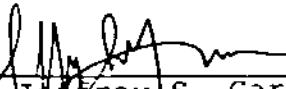
Name: _____

Title: RISTILLI

Senior Vice President


CARL E. DITTMAR
VICE PRESIDENT

EATON VANCE PRIME RATE
RESERVES, INC.

By: 

Name: Jeffrey S. Garner
Title: Vice President

IBJ LEASING (U.S.A.) INC.

By: _____

Name:
Title:

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____

Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____

Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____

Name:
Title:

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

SHOWA LEASING

By: _____
Name:
Title:

THE ASAHI BANK, LTD.

By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE CHUO TRUST & BANKING CO., LTD.

By: 

Name: KAZUO TAKIZAWA
Title: MANAGER

THE DAIWA BANK

By: _____

Name:
Title:

THE FUJI BANK, LIMITED

By: _____

Name:
Title:

THE HOKKAIDO BANK, LTD.

By: _____

Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____

Name:
Title:

THE HOKURIKU BANK, LTD.

By: _____

Name:
Title:

THE CHUO TRUST & BANKING CO., LTD.

By: _____

Name:

Title:

THE DAIWA BANK

By: _____

Name:

Title:

THE FUJI BANK, LIMITED

By: _____

Name:

Title:

THE HOKKAIDO BANK, LTD.

By: _____

Name:

Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: Hitoshi Sato

Name: Hitoshi Sato

Title: Vice President

THE HOKURIKU BANK, LTD.

By: _____

Name:

Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: Yoshiki Ishizuka
Name: Yoshiki Ishizuka
Title: Assistant Vice President

THE SANWA BANK LIMITED,
New York Branch

By:


Name: STEPHEN A. DURK
Title: VICE PRESIDENT

THE SUMITOMO BANK LIMITED

By:

Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By:

Name:
Title:

YTB LEASING (AMERICA) INC.

By:

Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By:

Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: 
Name: Y. Kawamura
Title: Joint General Manager

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

EXHIBIT 10.3.3

AMENDMENT NO. 4 to the
CREDIT AGREEMENT

AMENDMENT NO. 4, dated as of February __, 1993, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Credit Agreement referred to below (the "Lenders"), CITIBANK, N.A., as Agent (in such capacity, the "Agent") and CHEMICAL BANK, MELLON BANK, N.A., and SOCIETE GENERALE, NEW YORK BRANCH, as Co-Agents (in such capacity, the "Co-Agents").

WHEREAS, the Borrower, the Agent, the Co-Agents and the Lenders have entered into that certain Credit Agreement, dated as of May 20, 1992, as amended to the date hereof (the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined, unless otherwise defined herein; and

WHEREAS, the Borrower and the Lenders have agreed to amend the Credit Agreement and to waive compliance with certain provisions therein as hereinafter set forth.

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

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Credit Agreement is hereby amended as follows:

(i) the definition of "Liquidity Amount" shall be amended and restated to read in full as follows:

"Liquidity Amount" for the Borrower and its Subsidiaries means, at any date, an amount equal to the sum of (a) the aggregate amounts of Investible Cash at such date plus (b) the aggregate amount of Subordinated Purchase Notes (as defined in the Receivables Purchase Agreement) which could be repaid on such date in accordance with the terms of the Receivables Purchase Agreement."

(ii) the definition of "Permitted Investments" is hereby amended by deleting the "and" immediately

preceding clause (j) thereof and adding at the end thereof:

"and (k) Investments of up to \$50 million outstanding at any given time in Third Parties Customers' Receivables."

(iii) the following definition shall be added to the appropriate alphabetical location in Article I:

"Third Parties Customers' Receivables" means any account, chattel paper or general intangible representing the indebtedness of Persons under revolving charge account, retail installment account, or similar agreements relating to the credit purchases of goods or services from retail merchants other than the Borrower or any of its Affiliates."

(b) Section 5.6 of the Credit Agreement is hereby amended and restated to read in full as follows:

5.6 Cash Capital Expenditures. Not permit Cash Capital Expenditures made during each of the fiscal years set forth below to exceed the maximum amount set forth below for such fiscal year:

| <u>Fiscal Year Ending In</u> | <u>Maximum Amount of Cash Capital Expenditures</u> |
|----------------------------------|--|
| January 1993 | \$228,234,000 |
| January 1994 | 360,000,000 |
| January 1995 | |
| and thereafter | 400,000,000 |

; provided, however, that, commencing with the fiscal year ending in January 1994, the Borrower may permit Cash Capital Expenditures to exceed the maximum amount set forth above for such fiscal year by an amount equal to the lesser of (i) 25% of the amount set forth above for the fiscal year preceding such fiscal year and (ii) the excess of (A) the amount of Cash Capital Expenditures permitted under this covenant for the fiscal year immediately preceding such fiscal year (after giving effect to this proviso) over (B) the actual amount of Cash Capital Expenditures made during such preceding fiscal year (the "Carry-Over Amount"). Notwithstanding the foregoing, the Carry-Over Amount shall in no event exceed an amount which could have been spent in the preceding fiscal

year when aggregated with all Cash Capital Expenditures actually made in such year without exceeding the Fixed Charge Coverage Ratio for the last fiscal quarter of such year."

(c) Section 7.6 of the Credit Agreement is hereby amended and restated to read in full as follows:

7.6 Increase in Employee Benefit Liabilities. The Borrower shall not, and shall not permit any of its Subsidiaries or, in the case only of a Title IV Plan, permit any of its ERISA Affiliates, to amend or establish any of the following employee benefit plans in a manner that would increase (or, in the case of a new plan, establish) liabilities or costs thereunder (measured, in the case of each amendment or establishment, at the time of such action) beyond the following limitations:

(a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 7.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$30,000,000 plus increases of \$15,000,000 in the aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date; provided that any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;

(b) For any Welfare Benefit Plan: a net increase in the annual cash outlay allocable to all post-retirement benefits in the aggregate of more than \$25,000,000 attributable to the employer; and

(c) For any unfunded Pension Plan: a net increase in the annual cash outlay allocable to all unfunded Pension Plans in the aggregate (beyond the costs

related to the liabilities contemplated in the Bankruptcy Disclosure Statement) of more than \$25,000,000.

Any of the preceding employee benefit plans may be amended, however, without regard to, and in addition to the foregoing limits (i) if necessary to comply with applicable law, or (ii) if the action has been reviewed by an independent compensation consultant retained by the Borrower, the Borrower's board of directors has approved such action, and the Borrower has obtained the consent of the Majority Lenders regarding such action, such consent not to be unreasonably withheld. Notwithstanding the foregoing, in no event shall the assets of the Allied Pension Plan be merged, spun-off, or otherwise transferred to any other plan prior to the third anniversary of the Closing Date, other than (a) a transfer to a "qualified replacement plan" within the meaning of Section 4980(d) of the Code of the minimum amount necessary to satisfy Section 4980(d)(2)(B) of the Code in connection with the termination of the Allied Pension Plan and the reversion of excess assets to the Borrower or (b) with the consent of the Majority Lenders, such consent not to be unreasonably withheld."

(d) Schedule I to the Credit Agreement is hereby amended and restated to read in full as set forth on Schedule I hereto.

SECTION 2. Waivers and Consents. Subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the Lenders hereby (i) consent to Amendment No. 4 to the Series A Note Agreement in the form attached hereto as Exhibit A (the "Series A Amendment"), (ii) consent to the prepayment in full of all of the Series B Notes outstanding under the Series B Indenture in accordance with the terms of the Series A Amendment and (iii) waive the requirement of Section 7.3(b) that the source of such repayment be Excess Cash.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lenders have executed this Amendment, and Sections 1 and 2

hereof shall become effective subject to the following conditions precedent:

(a) The Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Agent and to be in form and substance satisfactory to the Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving this Amendment No. 4 to the Credit Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver this Amendment No. 4 to the Credit Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default.

(b) The Agent shall have received on the Amendment Date from the Borrower for the ratable benefit of the Lenders a cash fee equal to .05% of the aggregate amount of the Commitments on the Amendment Date.

(c) On the Amendment Date, the Borrower shall pay all costs and expenses of the Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent is aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby.

SECTION 4. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1 and 2 hereof, on and after the Amendment Date each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 5. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: Karen M Hogue
Name: Karen M. Hogue
Title: Senior Vice President - Planning
and Treasurer

CITIBANK, N.A., as Agent

By: _____
Name:
Title:

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By: _____
Name:
Title:

CHEMICAL BANK

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

APR-13-1993 13:23

FROM WG&M NYC

TO 37#358860314#1513579

P.013

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

FEDERATED DEPARTMENT STORES, INC.

By:

Name:

Title:

CITIBANK, N.A., as Agent

By:

Name:

Title: ARNOLD J ZEGEL
Vice President
CITIBANK, N.A.

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:

Title:

CHEMICAL BANK

By:

Name:

Title:

MELLON BANK, N.A.

By:

Name:

Title:

APR-13-1993 13:23

FROM WG&M NYC

TO 37#358860314#1513579

P.014

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

FEDERATED DEPARTMENT STORES, INC.

By:

Name:
Title:

CITIBANK, N.A., as Agent

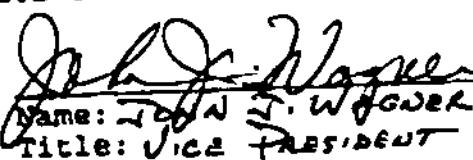
By:

Name:
Title:

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By:


Name: JOHN J. WAGNER
Title: VICE PRESIDENT

CHEMICAL BANK

By:

Name:
Title:

MELLON BANK, N.A.

By:

Name:
Title:

APR-13-1993 13:23

FROM WG&M NYC

TO 37#359860314#1513579

P.015

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

FEDERATED DEPARTMENT STORES, INC.

By:

Name:

Title:

CITIBANK, N.A., as Agent

By:

Name:

Title:

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:

Title:

CHEMICAL BANK

By:

Name:

Title:

MELLON BANK, N.A.

By:

Name:

Title:

LENDERS:

ALLIED IRISH BANK, PLC.

By: Frank Koenig Maria Meeder
Name: charles koenig MARIA MEEDER
Title: VP

BERLINER HANDELS-UND FRANKFURTER BANK

By:

Name:
Title:

CHEMICAL BANK

By:

Name:
Title:

CITIBANK, N.A.

By:

Name:
Title:

CONNECTICUT NATIONAL BANK

By:

Name:
Title:

APR-13-1993 13:24

FROM WG&M NYC

TO 37#358860314#1513579

P.017

LENDERS:

ALLIED IRISH BANK, PLC.

By: _____

Name: _____

Title: _____

BERLINER HANDELS-UND FRANKFUTTER BANK

By: Z. K. K. Thomas

Name: M. S. e. L

Title: VP

LGISSL

RVP

CHEMICAL BANK

By: _____

Name: _____

Title: _____

CITIBANK, N.A.

By: _____

Name: _____

Title: _____

CONNECTICUT NATIONAL BANK

By: _____

Name: _____

Title: _____

APR-13-1993 13:24

FROM WG&M NYC

TO 37#358860314#1513579

P.018

LENDERS:

ALLIED IRISH BANK, PLC.

By: _____

Name:

Title:

BERLINER HANDELS-UND FRANKFURTER BANK

By: _____

Name:

Title:

CHEMICAL BANK

By: _____

Name:

Title:

CITIBANK, N.A.

By: _____

Name:

Title:

CONNECTICUT NATIONAL BANK

By: _____

Name:

Title:

APR-13-1993 13:24

FROM WG&M NYC

TO 37#358860314#1513579

P.019

LENDERS:

ALLIED IRISH BANK, PLC.

By:

Name:

Title:

BERLINER HANDELS-UND FRANKFURTER BANK

By:

Name:

Title:

CHEMICAL BANK

By:

Name:

Title:

CITIBANK, N.A.

By:

Name: ARNOLD J ZIEGL
Title: Vice President
CITIBANK, N.A.

CONNECTICUT NATIONAL BANK

By:

Name:

Title:

APR-13-1993 13:25 FROM WG&M NYC TO 37#358860314#1513579 P.020

03.05.93 11:18AM -SPEC LENDING NFD P02

LENDERS:

ALLIED IRISH BANK, PLC.

By: _____
Name:
Title:

BERLINER HANDELS-UND FRANKFUTTER BANK

By: _____
Name:
Title:

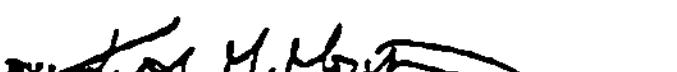
CHEMICAL BANK

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

CONNECTICUT NATIONAL BANK

By: 
Name: Kris M. Morison
Title: A.V.P.

PLEET BANK

By:

Name: ROGER C. BURGER
Title: VICE PRESIDENT

IBJ SCHRODER BANK & TRUST COMPANY

By:

Name:
Title:

MC INTERNATIONAL INVESTMENT LIMITED

By:

Name:
Title:

MELLON BANK, N.A.

By:

Name:
Title:

ORIX USA CORPORATION

By:

Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:
Title:

APR-13-1993 13:25

FROM WG&M NYC

TO 37#358860314#1513579

P.022

FLEET BANK

By:

Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By:

David S. Gorall
Name: David S. Gorall
Title: Assistant Vice President

MC INTERNATIONAL INVESTMENT LIMITED

By:

Name:
Title:

MELLON BANK, N.A.

By:

Name:
Title:

ORIX USA CORPORATION

By:

Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:
Title:

FLEET BANK

By: _____
Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By: _____
Name:
Title:

MC INTERNATIONAL INVESTMENT LIMITED

By: 
Name: Yuji Komiya
Title: Senior Vice President

MELLON BANK, N.A.

By: _____
Name:
Title:

ORIX USA CORPORATION

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By: _____
Name:
Title:

APR-13-1993 13:26

FROM WG&M NYC

TO 37#358860314#1513579

P.024

FLEET BANK

By:

Name:

Title:

IBJ SCHRODER BANK & TRUST COMPANY

By:

Name:

Title:

MC INTERNATIONAL INVESTMENT LIMITED

By:

Name:

Title:

MELLON BANK, N.A.

By:



Name: Rose S. Anow

Title: Vice President

ORIX USA CORPORATION

By:

Name:

Title:

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:

Title:

APR-13-1993 13:26 FROM WG&M NYC

TO 37#358860314#1513579 P.025

FLEET BANK

By: _____
Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By: _____
Name:
Title:

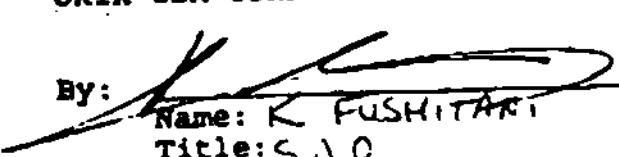
MC INTERNATIONAL INVESTMENT LIMITED

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

ORIX USA CORPORATION

By: 
Name: K. FUSHITAKI
Title: S.J.D

SOCIETE GENERALE, NEW YORK BRANCH

By: _____
Name:
Title:

APR-13-1993 13:26

FROM WG&M NYC

TO 37#356264314#1515573 P. 220

FLEET BANK

By:

Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By:

Name:
Title:

MC INTERNATIONAL INVESTMENT LIMITED

By:

Name:
Title:

MELLON BANK, N.A.

By:

Name:
Title:

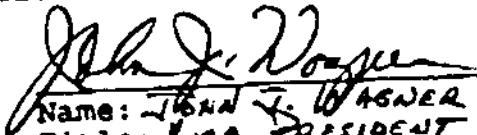
ORIX USA CORPORATION

By:

Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By:


Name: JOHN J. WAGNER
Title: Vice President

APR-13-1993 13:27

FROM WG&M NYC

TO 37#358860314#1513579

P.027

APR 23 1993 10:50 CUNEFER COPE

STAR BANK, N.A.

By:


Name: Thomas D. Henniger
Title: Vice President

THE CENTRAL TRUST COMPANY, N.A.

By:

Name:
Title:

THE FIFTH THIRD BANK

By:

Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By:

Name:
Title:

APR-13-1993 13:27 FROM WG&M NYC

TO 37#358860314#1513579

P. 028

STAR BANK, N.A.

By: _____
Name:
Title:

**THE CENTRAL TRUST COMPANY, N.A., now known
as PNC Bank, Ohio N.A.**

By: *[Signature]*
Name: ~~Richard J. McCall~~
Title: Vice President

THE FIFTH THIRD BANK

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: _____
Name:
Title:

APR-13-1993 13:27

FROM WG&M NYC

TO 374358660314#1513579

F.629

STAR BANK, N.A.

By:

Name:
Title:

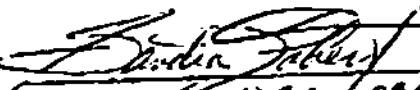
THE CENTRAL TRUST COMPANY, N.A.

By:

Name:
Title:

THE FIFTH THIRD BANK

By:


Name: SANDRA ROBERT
Title: VICE PRESIDENT

THE FIRST NATIONAL BANK OF BOSTON

By:

Name:
Title:

APR-13-1993 13:28

FROM WG&M NYC

TO 37#358860314#15135?9

P.030

Amendment #4

Prepayment of B Notes, etc

STAR BANK, N.A.

By: _____
Name:
Title:

THE CENTRAL TRUST COMPANY, N.A.

By: _____
Name:
Title:

THE FIFTH THIRD BANK

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: Peter R. Lefcort
Name: PETER R. LEFCORT
Title: DIRECTOR

SCHEDULE 1

| <u>Issuers</u> | <u>Commitments</u> |
|-----------------------------------|----------------------------|
| IBJ Schroder Bank & Trust Company | \$100,000,000 |
| Chemical Bank | \$ 50,000,000 |
| Citibank, N.A. | \$130,000,000 ¹ |
| Mellon Bank, N.A. | \$ 40,000,000 |
| The First National Bank of Boston | \$150,000,000 |

1. Citibank's commitment to issue Letters of Credit after the Closing Date shall be reduced to \$25,000,000.

Exhibit A

AMENDMENT NO. 4 to the
SERIES A NOTE AGREEMENT

AMENDMENT NO. 4, dated as of February __, 1993, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Series A Note Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Series A Agent (in such capacity, the "Series A Agent") and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH as Series A Co-Agent (in such capacity, the "Series A Co-Agent").

WHEREAS, the Borrower, the Series A Agent, the Series A Co-Agent and the Lenders have entered into that certain Series A Note Agreement, dated as of February 5, 1992, as amended to the date hereof (the "Series A Note Agreement") (Terms defined in the Series A Note Agreement are used herein as therein defined, unless otherwise defined herein); and

WHEREAS, the Borrower and the Lenders have agreed to amend the Series A Note Agreement and to waive compliance with certain provisions therein as hereinafter set forth;

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

SECTION 1. Amendments to Series A Note Agreement. The Series A Note Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Series A Note Agreement is hereby amended as follows:

(i) the definition of "Permitted Investments" is hereby amended by deleting the "and" immediately preceding clause (h) and adding at the end thereof:

* and (i) Investments of up to \$100 million outstanding at any given time in Third Parties Customers' Receivables."

(ii) the following definition shall be added to the appropriate alphabetical location in Article I:

"Third Parties Customers' Receivables" means any account, chattel paper or general intangible representing the indebtedness of Persons under revolving charge account, retail installment account, or similar agreements relating to the credit purchases of goods or services from retail merchants other than the Borrower or any of its Affiliates."

(b) Section 2.2(a) of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"(a) The Borrower shall repay the Series A Notes in full on February 15, 1997."

(c) Section 4.4 of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"4.4 Cash Capital Expenditures. Not permit Cash Capital Expenditures made during each of the fiscal years set forth below to exceed the maximum amount set forth below for such fiscal year:

| <u>Fiscal Year Ending In</u> | <u>Maximum Amount of Cash Capital Expenditures</u> |
|--|--|
| January 1993 | \$228,234,000 |
| January 1994 | 360,000,000 |
| January 1995 | 400,000,000 |
| January 1996 and thereafter | 450,000,000 |

; provided, however, that, commencing with the fiscal year ending in January 1994, the Borrower may permit Cash Capital Expenditures to exceed the maximum amount set forth above for such fiscal year by an amount equal to the lesser of (i) 25% of the amount set forth above for the fiscal year preceding such fiscal year and (ii) the excess of (A) the amount of Cash Capital Expenditures permitted under this covenant for the fiscal year immediately preceding such fiscal year (after giving effect to this proviso) over (B) the actual amount of Cash Capital Expenditures made during such preceding fiscal year."

(d) Section 6.6 of the Series A Note Agreement is hereby amended and restated to read in full as follows:

***6.6 Increase in Employee Benefit Liabilities.**
The Borrower shall not, and shall not permit any of its Subsidiaries or, in the case only of a Title IV Plan, permit any of its ERISA Affiliates, to amend or establish any of the following employee benefit plans in a manner that would increase (or, in the case of a new plan, establish) liabilities or costs thereunder (measured, in the case of each amendment or establishment, at the time of such action) beyond the following limitations:

(a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 6.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$50 million plus increases of \$15 million in the aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date, provided any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder, except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;

(b) For any Welfare Benefit Plan: a net increase in the annual cash outlay allocable to all post-retirement benefits in the aggregate of more than \$25 million attributable to the employer; and

(c) For any unfunded Pension Plan: a net increase in the annual cash outlay allocable to all unfunded Pension Plans in the aggregate (beyond the costs related to the liabilities contemplated in the Disclosure Statement) of more than \$25 million.

Any of the preceding employee benefit plans may be amended, however, without regard to, and in

addition to the foregoing limits (i) if necessary to comply with applicable law, or (ii) if the action has been reviewed by an independent compensation consultant retained by the Borrower, the Borrower's board of directors has approved such action, and the Borrower has obtained the consent of the Majority Lenders regarding such action, such consent not to be unreasonably withheld. Notwithstanding the foregoing, in no event shall the assets of the Allied Pension Plan be merged, spun-off, or otherwise transferred to any other plan prior to the third anniversary of the Closing Date, other than (a) a transfer to a "qualified replacement plan" within the meaning of Section 4980(d) of the Code of the minimum amount necessary to satisfy Section 4980(d)(2)(B) of the Code in connection with the termination of the Allied Pension Plan and the reversion of excess assets to the Borrower or (b) with the consent of the Majority Lenders, such consent not to be unreasonably withheld.

SECTION 2. Waivers and Consents. Subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the Lenders hereby (i) consent to the prepayment in full of all of the Series B Notes outstanding under the Series B Indenture without any prepayment with respect to the Series A Notes (the "Prepayment Transaction"), and (ii) waive compliance with Section 6.3(b)(iv) of the Series A Note Agreement, in order to allow the Borrower to effectuate the Prepayment Transaction.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Series A Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Series A Agent that such Lenders have executed this Amendment, and Sections 1 and 2 hereof shall become effective subject to the following conditions precedent:

(a) The Series A Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Series A Agent and to be in form and substance satisfactory to the Series A Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving Amendment No. 4 to the Series A Note Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver Amendment No. 4 to the Series A Note Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default;

(iv) forms of final documentation evidencing the Prepayment Transaction; and

(v) a favorable opinion of Jones, Day, Reavis & Pogue, counsel for the Borrower, substantially in the form of Exhibit A hereto;

(b) the Series A Agent shall have received on the Amendment Date from the Borrower for the ratable benefit of the Lenders who have executed this Amendment No. 4 to the Series A Note Agreement on or prior to March 4, 1993 (the "Consenting Lenders") a cash fee equal to .625% of the aggregate unpaid principal amount of the Series A Notes held by the Consenting Lenders on the Amendment Date;

(c) the Series A Agent shall have received a coordination fee as described in the fee letter dated February 9, 1993 by and between the Series A Agent and the Borrower;

(d) on the Amendment Date, the Borrower shall pay all costs and expenses of the Series A Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent is aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby; and

(e) on or before the Amendment Date, the Series A Agent and the Lenders shall have received such other approvals, opinions or documents as the Series A Agent may reasonably request.

SECTION 4. Representations and Warranties of the Borrower. Borrower represents and warrants to the Lenders, after giving effect to this Amendment, as follows:

(a) No Default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by Borrower of this Amendment and the performance of the Prepayment Transaction have been duly authorized by all necessary corporate action of Borrower and do not require any consent or approval by any of Borrower's Subsidiaries or any other person other than as provided herein or previously obtained.

(c) This Amendment has been duly authorized, executed and delivered by Borrower and constitutes a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms.

SECTION 5. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1 and 2 hereof, on and after the Amendment Date each reference in the Series A Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Series A Note Agreement, shall mean and be a reference to the Series A Note Agreement, as amended hereby.

(b) Except as specifically amended above, the Series A Note Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 6. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of

the Series A Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Series A Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Series A Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO,
S.A.

By: _____
Name:
Title:

BANCA DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANK OF SCOTLAND

By: _____

Name:

Title:

BAYERISCHE HYPOTHEKEN- UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____

Name:

Title:

CITIBANK, N.A.

By: _____

Name:

Title:

COMMERZBANK AG, Grand Cayman Branch

By: _____

Name:

Title:

DRESDNER BANK AG, New York and
Grand Cayman Branches

By: _____

Name:

Title:

EATON VANCE PRIME RATE
RESERVES, INC.

By: _____
Name:
Title:

IBJ LEASING (U.S.A.) INC.

By: _____
Name:
Title:

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____
Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____
Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

PEARL STREET, L.P. I

By: _____
Name:
Title:

PILGRIM PRIME RATE TRUST

By: _____
Name:
Title:

SHOWA LEASING

By: _____
Name:
Title:

THE ASAHI BANK, LTD.

By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE DAIWA BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name:
Title:

THE HOKKAIDO BANK, LTD.

By: _____
Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____
Name:
Title:

THE HOKURIKU BANK, LTD.

By: _____

Name:

Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____

Name:

Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____

Name:

Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____

Name:

Title:

THE NIPPON CREDIT BANK, LTD.

By: _____

Name:

Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

EXHIBIT 10.4.1

AMENDMENT NO. 1 TO THE
SERIES A NOTE AGREEMENT

AMENDMENT NO. 1, dated as of May 29, 1992, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Series A Note Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Series A Agent (in such capacity, the "Series A Agent") and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH as Series A Co-Agent (in such capacity, the "Series A Co-Agent").

WHEREAS, the Borrower, the Series A Agent, the Series A Co-Agent and the Lenders have entered into that certain Series A Note Agreement, dated as of February 5, 1992 (the "Series A Note Agreement"). Terms defined in the Series A Note Agreement are used herein as therein defined, unless otherwise defined herein; and

WHEREAS, the Borrower and the Lenders have agreed to amend the Series A Note Agreement and to waive compliance with certain provisions therein as hereinafter set forth.

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

SECTION 1. Amendments to Series A Note Agreement. The Series A Note Agreement is, effective the date hereof, and subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Series A Note Agreement is hereby amended as follows:

(i) the definition of "Planned Pension Expense" shall be amended and restated to read in full as follows:

"Planned Pension Expense (Income)" means, for each fiscal quarter set forth below, the amount set forth below, opposite such fiscal quarter:

| <u>Fiscal Quarter Ending In</u> | <u>Expense Amount</u> |
|-------------------------------------|---------------------------|
| April 1992 | \$ (4,700,000) |
| July 1992 | (4,700,000) |
| October 1992 | (4,700,000) |
| January 1993 | (4,700,000) |
| April 1993 | (4,250,000) |
| July 1993 | (4,250,000) |
| October 1993 | (4,250,000) |
| January 1994 | (4,250,000) |
| April 1994 | (2,900,000) |
| July 1994 | (2,900,000) |
| October 1994 | (2,900,000) |
| January 1995 | (2,900,000) |
| April 1995 | (2,450,000) |
| July 1995 | (2,450,000) |
| October 1995 | (2,450,000) |
| January 1996 | (2,450,000) |
| April 1996 | (2,050,000) |
| July 1996 | (2,050,000) |
| October 1996 | (2,050,000) |
| January 1997 | (2,050,000)" |

(ii) the definition of "Working Capital Facilities Agreement" shall be amended and restated to read in full as follows:

"Working Capital Facilities Agreement" means that certain Credit Agreement, dated as of May 20, 1992, by and among the Borrower, Citibank, N.A. as Agent and Societe Generale, Chemical Bank and Mellon Bank, N.A. as Co-Agents, as the same may be amended, supplemented or otherwise modified from time to time, in accordance with the terms thereof."

(iii) the following definition shall be added to the appropriate alphabetical location in Article I:

"Non-Cash Interest Expense" means, for any Person for any period, the sum of the following amounts to the extent included in Net Interest Expense of such Person for such period:

- (a) the amount of amortized Debt discount in such period,
- (b) the amount of amortized financing costs which are capitalized in such period and
- (c) charges relating to write-ups or write-downs

in the book or carrying value of existing Debt in such period."

(b) Section 5.13 of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"Interest Rate Contracts. The Borrower shall maintain at all times through the Series A Termination Date, Interest Rate Contracts on terms and with counterparties reasonably acceptable to the Series A Agent which provide protection against interest rates exceeding 10% per annum on 50% of all Debt of the Borrower and its Subsidiaries on a consolidated basis bearing floating interest rates, assuming for purposes of this calculation that the Loans pursuant to the Working Capital Facilities Agreement are fully drawn."

(c) Section 5.14 of the Series A Note Agreement is hereby amended by deleting paragraph (c) thereof in its entirety.

SECTION 2. Waivers and Consents. (a) The Lenders hereby waive compliance with Section 6.5 of the Series A Note Agreement in connection with the establishment of a new subsidiary by the Borrower and the contribution to such subsidiary of all of the assets which were owned by Al-Jordan Realty Corp. prior to February 5, 1992.

(b) The Lenders hereby waive compliance with each of Sections 6.2 and 6.3 of the Series A Note Agreement in connection with the issuance and distribution to the Borrower as a dividend by each of the Subsidiaries listed below of subordinated notes, which notes bear interest at a rate of 10% per annum and are otherwise in substantially the form of Exhibit A hereto in a principal amount not to exceed the respective amount set forth below; provided that each such note (other than any notes from Abraham & Straus, Inc., the Bon, Inc., Jordan Marsh Stores Corp., Stern's Department Stores, Inc. and Lazarus) (collectively the "Pledged Debt") is pledged to the Series A Agent as collateral security for the holders of the Series A Notes.

| <u>Dividending Party</u> | <u>Principal Amount of 10% Subordinated Notes</u> |
|--------------------------|---|
| Abraham & Straus, Inc. | \$250,000,000 |
| Bloomingdale's, Inc. | \$250,000,000 |
| Burdines, Inc. | \$250,000,000 |

| | |
|---------------------------------------|-----------------|
| Lazarus, Inc. | \$250,000,000 |
| Rich's Department Stores, Inc. | \$250,000,000 ✓ |
| Abraham & Straus Real Estate, Inc. | \$ 90,000,000 ✓ |
| Burdines Main Store Real Estate, Inc. | \$ 5,000,000 ✓ |
| Burdines Real Estate II, Inc. | \$ 10,000,000 ✓ |
| Burdines Real Estate, Inc. | \$210,000,000 ✓ |
| Lazarus Real Estate, Inc. | \$260,000,000 ✓ |
| Bloomingdale's Real Estate, Inc. | \$100,000,000 ✓ |
| Rich's Main Store Real Estate, Inc. | \$ 5,000,000 ✓ |
| Rich's Real Estate, Inc. | \$220,000,000 ✓ |
| Burdines, Inc. | \$125,000,000 ✓ |
| The Bon, Inc. | \$100,000,000 ✓ |
| Jordan Marsh Stores Corp. | \$200,000,000 ✓ |
| Stern's Department Stores, Inc. | \$200,000,000 ✓ |

(c) The Lenders hereby consent to the Borrower entering into a swap of parking areas with the developer of the Lazarus Castleton Square store. Upon entering into such swap agreement, the Borrower shall mortgage for the benefit of the Lenders the new parking areas acquired and the Series A Agent shall cause the Collateral Trustee to release the Mortgage with respect to the parking area sold.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lenders have executed this Amendment, and Sections 1 and 2 hereof shall become effective subject to the following conditions precedent:

(a) The Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Agent and to be in form and substance satisfactory to the Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving Amendment No. 1 to the Series A Note Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers

authorized to execute and deliver Amendment No. 1 to the Series A Note Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default;

(iv) a favorable opinion of Jones, Day, Reavis & Pogue, counsel for the Borrower, substantially in the form of Exhibit 1 hereto;

(v) a copy of each consent, license and approval required in connection with the execution, delivery, performance, validity and enforceability of Amendment No. 1 to the Series A Note Agreement; and

(vi) a duly executed amendment to the Shared Collateral Pledge Agreement in the form of Exhibit 2 hereto pursuant to which the Pledged Debt is pledged to the Series A Agent for the benefit of the holders of the Series A Notes, along with the Pledged Debt and undated note powers for such securities executed in blank.

(b) On the Amendment Date, the Borrower shall pay all costs and expenses of the Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent and the Lenders are aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby.

(c) Each consent, license and approval required in connection with the execution, delivery, performance, validity and enforceability of Amendment No. 1 to the Series A Note Agreement shall have been obtained, shall be non-appealable (or the Majority Lenders shall have determined, in their sole discretion, that there is no reasonable basis for concluding that such consent shall not become final), shall be in full force and effect and shall be satisfactory in form and substance to the Majority Lenders, in their sole discretion.

(d) As of the Amendment Date, there shall have been no material adverse change in the business, results of

operations, financial condition or prospects of the Borrower or any of its Subsidiaries since February 5, 1992 or litigation which might have a Material Adverse Effect.

(e) On or before the Amendment Date, the Agent and the Lenders shall have received such other approvals, opinions or documents as the Agent or any Lenders may reasonably request.

SECTION 4. Amendments to the Shared Collateral Pledge Agreement. The Shared Collateral Pledge Agreement is hereby amended by deleting Section 5(e) in its entirety.

SECTION 5. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1, 2, 3 and 4 hereof, on and after the date hereof each reference in the Series A Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Series A Note Agreement and the Shared Collateral Pledge Agreement, shall mean and be a reference to the Series A Note Agreement and the Shared Collateral Pledge Agreement, respectively, as amended hereby.

(b) Except as specifically amended above, the Series A Note Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 6. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Agent and each Lender harmless from

and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Agreement.

SECTION 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 10. Authorization to Release Collateral. The parties hereto hereby authorize the Collateral Trustee to release its security interest in the stock of the Pledge Operating Subsidiaries listed on Schedule 1 hereto, in accordance with Section 7.01 of the Shared Collateral Trust Agreement.

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

FEDERATED DEPARTMENT STORES INC.

By: _____

Title: Senior Vice President
and General Counsel

CITIBANK, N.A., as Series A Agent

By: _____

Title:

and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 10. Authorization to Release Collateral. The parties hereto hereby authorize the Collateral Trustee to release its security interest in the stock of the Pledged Operating Subsidiaries listed on Schedule 1 hereto, in accordance with Section 7.01 of the Shared Collateral Trust Agreement.

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

FEDERATED DEPARTMENT STORES, INC.

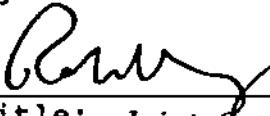
By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: John Ober
Title:

*THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By:



Title: Joint General Manager

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By:

Name:

Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By:

Name:

Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By:

Name:

Title:

BANCO DI ROMA, New York Branch

By:

Name:

Title:

*The execution and delivery of this Amendment by The Sumitomo Bank, Limited, New York Branch, as Series A Co-Agent, and by The Sumitomo Bank, Limited, as a Lender, shall become effective when, and only when, the conditions of effectiveness set forth in Section 3 above shall have been satisfied and, in addition, \$146,000,000 in aggregate principal amount of the Series A Notes shall have been prepaid.

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title: _____

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: 
Name: Dirk Duytschaever
Title: Vice President

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title: _____

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name:
Title: _____

BANCO DI ROMA, New York Branch

By: _____
Name:
Title: _____

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title: _____

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name: _____
Title: _____

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name: _____
Title: _____

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name: _____
Title: _____

BANCO DI ROMA, New York Branch

By: _____
Name: _____
Title: _____

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title: _____

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name: _____
Title: _____

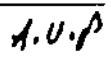
BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name: _____
Title: _____

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name: _____
Title: _____

BANCO DI ROMA, New York Branch

By: Ralph L. Nihle 
Name: RALPH L. NIHLE 
Title: A.U.P.

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name: ~~Dominiek Vangaever~~
Title: ~~General Manager~~ Dominiek Vangaever
A.V.P. - CREDIT

BANK OF IRELAND

By: _____
Name:
Title:

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title: *John T. Moore JP*

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANK OF SCOTLAND

By: C.J.D. Ferguson
Name: (C.J.D. FERGUSON
Title: Vice President

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

MAY-27-1992 11:52 FROM

TO

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| Post-it® brand fax transmittal memo 75 th "of pages" | |
|---|-----------------------|
| Mr. SANDRA COSTIUS | From: RICH ROTHSCHILD |
| Co. | cc: C.I.T.I. |
| Date: 3/10 3:07:22 | Phone: 556-7763 |
| Fax: 310-3007 | Fax: |

SANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: 
Name: R. E. Lawrence D. Rodriguez
Title: FIP SVP

CITIBANK, N.A.

By: Ronald O. Baye
Name:
Title: Vice President

COMMERZBANK AG, Grand Cayman Branch

By: _____
Name:
Title:

**THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch**

By: _____
Name:
Title:

**DRESRDNER BANK AG, New York and
Grand Cayman Branches**

By: _____
Name:
Title:

IBJ LEASING (U.S.A.) INC.

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____

Name:

Title:

COMMERZBANK AG, Grand Cayman Branch

By:



Name: KALYAN BASU

Title: First Vice President

MARK MORSON

Assistant Treasurer

THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch

By: _____

Name:

Title:

DRESDNER BANK AG, New York and
Grand Cayman Branches

By:

Name:

Title:

IBJ LEASING (U.S.A.) INC.

By:

Name:

Title:

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____
Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____
Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

SHOWA LEASING (U.S.A.) Inc.

By: 
Name: Mr. E. Sato
Title: President

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name: _____
Title: _____

THE BANK OF YOKOHAMA, LTD.

By: _____
Name: _____
Title: _____

THE CHIBA BANK, LTD.

By: _____
Name: _____
Title: _____

THE CHIN TRUST & BANKING CO., LTD.

By: KAZUO TAKIZAWA
Name: KAZUO TAKIZAWA
Title: MANAGER

THE DATWA BANK

By: _____
Name: _____
Title: _____

THE FUJI BANK, LIMITED

By: _____
Name: _____
Title: _____

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE CHUO TRUST & BANKING CO., LTD.

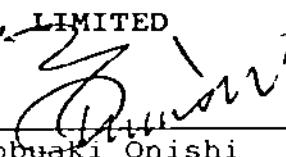
By: _____
Name:
Title:

THE DAIWA BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name: Nobuaki Onishi
Title: Vice President and Manager



THE HOKKAIDO BANK, LTD.

By: _____

Name:

Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____

Name:

Title:

THE HOKURIKU BANK, LTD.

By: _____

Name:

Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____

Name:

Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____

Name:

Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____

Name: Shigeharu Nakamura

Title: Senior Deputy General Manager

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____

Name:

Title:

THE MITSUBISHI BANK LIMITED

By: _____

Name:

Title:

THE NIPPON CREDIT BANK, LTD.

By: _____

Name:

Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____

Name:

Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: 
Name: Shunke Uchida
Title: Vice President

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: 
Name: Hayao Shiraishi
Title: General Manager

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

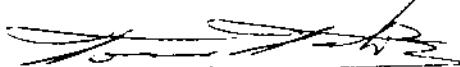
THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD,

By: 
Name: Tomoo Tasaka
Title: V.P & Manager

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

The consent of The Sanwa Bank Limited to
Amendment No. 1 to the Series A Note Agreement
in the form of the WGM draft dated 5/17/92 is
conditional upon:

By: Shinya Jinguishi _____

1. The effective date of Amendment No.1 to Name: Shinya Jinguishi
the Series A Note Agreement will be concurrent Title: Vice President and Manager
with the closing of the Working Capital Facilities
Agreement by and among Federated Department Stores, Inc. as Borrower and Citibank, N.A.
as Agent.
2. An agreement, satisfactory to Citibank, N.A. as Agent, by Federated Department Stores, Inc.
that they agree to make a voluntary prepayment of not less than U.S. \$445 million from
funds other than from an equity offering.

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: Kazuya Miura
Name: Kazuya Miura
Title: President

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: Klaus D. Koenig
Name: Klaus D. Koenig
Title: Vice President

EXHIBIT 10.4.2

AMENDMENT NO. 2 to the
SERIES A NOTE AGREEMENT

AMENDMENT NO. 2, dated as of July 24, 1992, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Series A Note Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Series A Agent (in such capacity, the "Series A Agent") and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH as Series A Co-Agent (in such capacity, the "Series A Co-Agent").

WHEREAS, the Borrower, the Series A Agent, the Series A Co-Agent and the Lenders have entered into that certain Series A Note Agreement, dated as of February 5, 1992, as amended (the "Series A Note Agreement"). Terms defined in the Series A Note Agreement are used herein as therein defined, unless otherwise defined herein;

WHEREAS, the Borrower has pledged for the benefit of the Lenders certain collateral pursuant to the Collateral Documents; and

WHEREAS, the Borrower and the Lenders have agreed to amend certain Collateral Documents as hereinafter set forth.

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

SECTION 1. Amendment to Collateral Documents.

(a) The Shared Collateral Pledge Agreement is, effective the date hereof, and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

Section 7(a) of the Shared Collateral Pledge Agreement is amended by adding the following after the word "sell" in the second line thereof:

", assign (by operation of law or otherwise),"

(b) The BFC Real Estate Company Shared Collateral Pledge Agreement is, effective the date hereof, and subject

to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(i) Section 5 of the BFC Real Estate Company Shared Collateral Pledge Agreement is hereby amended by deleting Section 5(e) in its entirety.

(ii) Section 7(a) of the BFC Real Estate Company Shared Collateral Pledge Agreement is amended by adding the following after the word "sell" in the second line thereof:

", assign (by operation of law or otherwise),"

(c) The Bon, Inc. Shared Collateral Pledge Agreement is, effective the date hereof, and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(i) Section 5 of the Bon, Inc. Shared Collateral Pledge Agreement is hereby amended by deleting Section 5(e) in its entirety.

(ii) Section 7(a) of the Bon, Inc. Shared Collateral Pledge Agreement is amended by adding the following after the word "sell" in the second line thereof:

", assign (by operation of law or otherwise),"

(d) The ASGREC Shared Collateral Pledge Agreement is, effective the date hereof, and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(i) Section 5 of the ASGREC Shared Collateral Pledge Agreement is hereby amended by deleting Section 5(e) in its entirety.

(ii) Section 7(a) of the ASGREC Shared Collateral Pledge Agreement is amended by adding the following after the word "sell" in the second line thereof:

", assign (by operation of law or otherwise),"

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the

Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lenders have executed this Amendment, and Section 1 hereof shall become effective subject to the following conditions precedent:

(a) The Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Agent and to be in form and substance satisfactory to the Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving this Amendment, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver this Amendment;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default; and

(iv) a copy of each consent, license and approval required in connection with the execution, delivery, performance, validity and enforceability of this Amendment.

(b) On the Amendment Date, the Borrower shall pay all costs and expenses of the Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent and the Lenders are aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby.

(c) Each consent, license and approval required in connection with the execution, delivery, performance, validity and enforceability of this Amendment shall have been obtained, shall be non-appealable (or the Majority Lenders shall have determined, in their sole discretion,

that there is no reasonable basis for concluding that such consent shall not become final), shall be in full force and effect and shall be satisfactory in form and substance to the Majority Lenders, in their sole discretion.

(d) As of the Amendment Date, there shall have been no material adverse change in the business, results of operations, financial condition or prospects of the Borrower or any of its Subsidiaries since February 5, 1992 or litigation which might have a Material Adverse Effect.

SECTION 3. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Section 1 hereof, on and after the date hereof each reference in the Series A Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Series A Note Agreement, the Shared Collateral Pledge Agreement, the BFC Real Estate Company Shared Collateral Pledge Agreement, the Bon, Inc. Shared Collateral Pledge Agreement, and the ASGREC Shared Collateral Pledge Agreement, shall mean and be a reference to the Series A Note Agreement, the Shared Collateral Pledge Agreement, the BFC Real Estate Company Shared Collateral Pledge Agreement, the Bon, Inc. Shared Collateral Pledge Agreement, and the ASGREC Shared Collateral Pledge Agreement, respectively, as amended hereby.

(b) Except as specifically amended above, the Series A Note Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 4. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution

and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: Karen M. Hayes
Title: Senior Vice President - Planning
and Treasurer

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

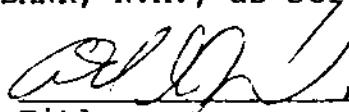
SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: 
Title: Alan D. Legel
Vice President
Citibank, N.A.

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: Z. Laiwan
Title: Asst General Manager

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

SECTION 7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

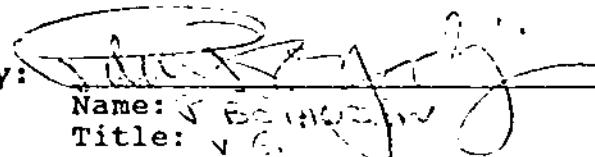
By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

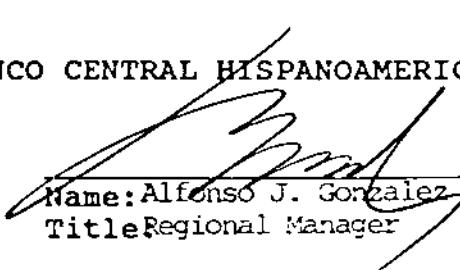
ARAB BANK PLC, Grand Cayman Branch

By: 
Name: Dr. M. J. D. Mr. S. Mr. G. Mr. R. Mr. P. Mr. J. Mr. C. Mr. E. Mr. F. Mr. H. Mr. I. Mr. K. Mr. L. Mr. M. Mr. N. Mr. O. Mr. P. Mr. Q. Mr. R. Mr. S. Mr. T. Mr. U. Mr. V. Mr. W. Mr. X. Mr. Y. Mr. Z.
Title: Dr. M. J. D. Mr. S. Mr. G. Mr. R. Mr. P. Mr. J. Mr. C. Mr. E. Mr. F. Mr. H. Mr. I. Mr. K. Mr. L. Mr. M. Mr. N. Mr. O. Mr. P. Mr. Q. Mr. R. Mr. S. Mr. T. Mr. U. Mr. V. Mr. W. Mr. X. Mr. Y. Mr. Z.

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: 
Name: Alfonso J. Gonzalez
Title: Regional Manager

BANCO DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

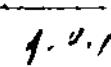
BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name:
Title:

BANCO DI ROMA, New York Branch

By: 
Name: RALPH L. RIEHL
Title: 

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

FEDERATED DEPARTMENT STORES, INCORPORATED
Amendment # 2 to the Series A Note Agreement

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name:
Title:

BANCO DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: P. Mc Nellis E. Herman
Name: P. Mc Nellis E. Herman
Title: Vice President Associate

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name:
Title:

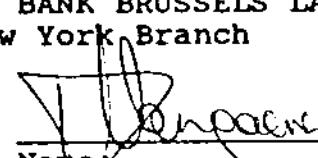
BANCO DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: 
Name: Dominiek Vangaever
Title: A.V.P. - CREDIT

BANK OF IRELAND

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO, S.A.

By: _____
Name:
Title:

BANCO DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:
John T. Noonan
v P

BANK OF SCOTLAND

By: 
Name: _____
Title: _____

J. CRAIG WILSON
VICE PRESIDENT

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name: _____
Title: _____

CITIBANK, N.A.

By: _____
Name: _____
Title: _____

COMMERZBANK AG, Grand Cayman Branch

By: _____
Name: _____
Title: _____

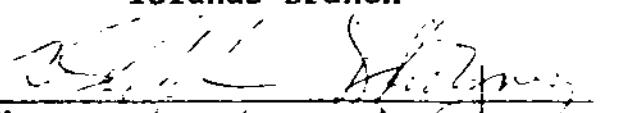
THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch

By: _____
Name: _____
Title: _____

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: 
Name: *W. J. Smith, Jr.*
Title: *F.C.*

CITIBANK, N.A.

By: _____
Name:
Title:

COMMERZBANK AG, Grand Cayman Branch

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch

By: _____
Name:
Title:

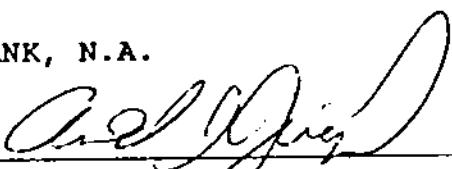
BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

CITIBANK, N.A.

By: 
Name:
Title: ARNOLD J. ZIEGEL
Vice President
Citibank, N.A.

COMMERZBANK AG, Grand Cayman Branch

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch

By: _____
Name:
Title:

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

COMMERZBANK AG, Grand Cayman Branch

By: Sudohi Morita
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED,
New York Branch

By: _____
Name:
Title:

DRESDNER BANK AG, New York and
Grand Cayman Branches

By: A. M. RISTILLI
Senior Vice President
Name: J. H.
Title: C. DITTRICH
VP

IBJ LEASING (U.S.A.) INC.

By: _____
Name:
Title:

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____
Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____
Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

SHOWA LEASING (U.S.A.) INC.

By: _____
Name: Mr. Etsuro Sato
Title: President

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE CHUO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

Federated

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

SHOWA LEASING

By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: Katsuyoshi Ota
Name: Katsuyoshi Ota
Title: Manager

THE CHUO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

SHOWA LEASING

By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

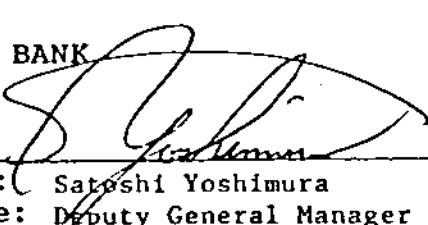
THE CHUO TRUST & BANKING CO., LTD.

By: _____
Name: KAZUO TAKIZAWA
Title: MANAGER

THE DAIWA BANK

By: _____

Name: Satoshi Yoshimura
Title: Deputy General Manager



THE FUJI BANK, LIMITED

By: _____

Name:
Title:

THE HOKKAIDO BANK, LTD.

By: _____

Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____

Name:
Title:

THE HOKURIKU BANK, LTD.

By: _____

Name:
Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____

Name:
Title:

THE DAIWA BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: _____
Name: Nobuaki Onishi
Title: Vice President and Manager

THE HOKKAIDO BANK, LTD.

By: _____
Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____
Name:
Title:

THE NOKURIKU BANK, LTD.

By: _____
Name:
Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By:

Name: Junri Oda

Title: Senior V.P. & Senior Manager

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By:

Name:

Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By:

Name:

Title:

THE MITSUBISHI BANK LIMITED

By:

Name:

Title:

THE NIPPON CREDIT BANK, LTD.

By:

Name:

Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: S. Okada
Name: Shunji Okada
Title: VP

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

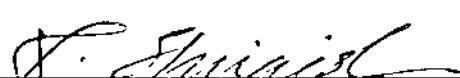
THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: 
Name: Hayao Shiraishi
Title: General Manager

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE KYOWA SAITAMA BANK LTD.,
New York Branch

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED,
New York Branch

By: _____
Name:
Title:

THE MITSUBISHI BANK LIMITED

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: Yoshiki Ishizuka
Name: Yoshiki Ishizuka
Title: Assistant Vice President

THE SANWA BANK LIMITED,
New York Branch

By: S. JINGUSHI
Name: S. JINGUSHI
Title: V.P. & MANAGER

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

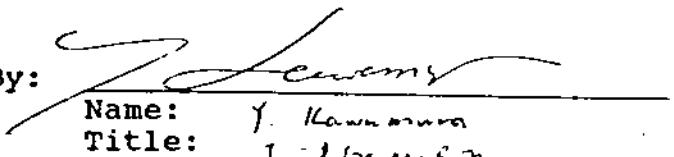
Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: 
Name: T. Kawamura
Title: Chief General Manager

THE TOKAI BANK, LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: Kazuya Miura
Name: Kazuya Miura
Title: President

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

EXHIBIT 10.4.3

AMENDMENT NO. 3 to the
CREDIT AGREEMENT

AMENDMENT NO. 3, dated as of October ___, 1992, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Credit Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Agent (in such capacity, the "Agent") and CHEMICAL BANK, MELLON BANK, N.A., and SOCIETE GENERALE, NEW YORK BRANCH as Co-Agents (in such capacity, the "Co-Agents").

WHEREAS, the Borrower, the Agent, the Co-Agents and the Lenders have entered into that certain Credit Agreement, dated as of May 20, 1992, as amended to the date hereof (the "Credit Agreement"). Terms defined in the Credit Agreement are used herein as therein defined, unless otherwise defined herein; and

WHEREAS, the Borrower and the Lenders have agreed to amend the Credit Agreement and to waive compliance with certain provisions therein as hereinafter set forth.

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

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Credit Agreement is hereby amended as follows:

(i) the definition of "Finance Subsidiary" shall be amended and restated to read in full as follows:

"Finance Subsidiary" means any of Federated Credit Corporation, Federated Credit Holdings Corporation, Allied Stores Credit Corporation, Allied Stores Credit Holdings Corporation or Prime Receivables Corporation or any successor by merger to any of the foregoing.

(ii) the definition of "Receivables Credit Agreements" shall be amended by adding after the words "refinancing thereof" in the second to last line the following:

"(including without limitation, the Pooling and Servicing Agreement and related documents described in Annex I hereto, in form and substance reasonably acceptable to the Agent)."

(b) Section 6.9(a) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(a) as soon as available and in any event within thirty (30) calendar days after the end of each fiscal month except January and forty-five (45) calendar days after the end of the January fiscal month, a report, substantially in the form of Exhibit J (each a "Blue Book Report"), which shall include, without limitation, the following information: consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such month, consolidated statements of operations and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal month, and divisional balance sheets and profit and loss statements for such month and the period commencing at the end of the previous fiscal year and ending with the end of such fiscal months, each of which shall be prepared on a basis comparable to those prepared for the prior year, such report to be certified by an Authorized Officer of the Borrower as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its Subsidiaries at such date and for such period, with a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto;"

(c) Section 7.6(a) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 7.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$15,000,000 plus increases of \$15,000,000 in the

aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date; provided that any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;"

(d) The Credit Agreement is hereby amended by adding as Annex I thereto Exhibit A hereto.

SECTION 2. Waivers and Consents.

(a) The Lenders hereby consent to the transactions described in the letter from the Borrower to the Lenders, dated October 14, 1992, attached hereto as Exhibit A, and in the Form S-1 Registration Statement filed by Prime Receivables Corporation with the Securities and Exchange Commission on September 24, 1992 and previously delivered to each Lender (the "Registration Statement"), provided that the final documentation related to such transactions shall be in form and substance reasonably acceptable to the Agent (the "Refinancing Transaction").

(b) The Lenders hereby (i) consent to a further amendment of the definition of "Finance Subsidiary" to include the name of a new indirect wholly-owned special purpose bankruptcy-remote subsidiary of Federated (the "New Subsidiary"), whose sole business will be to purchase variable funding certificates from Prime Receivables Corporation and to issue and repay commercial paper, and (ii) authorize the Agent to execute such amendment on their behalf.

(c) The Lenders, in connection with the Refinancing Transaction only, hereby waive compliance with each of the following: (i) Section 7.2(d), in order to allow the issuance of subordinated notes for the capitalization of the New Subsidiary and Prime Receivables Corporation and for the purchase of receivables, (ii) Section 7.5, in order to allow the Borrower to invest in the two new subsidiaries described in Exhibit A, and (iii) Sections 7.4(a)(ii)(x), 7.7(a) and 7.9(b), in order to allow for the Receivables Purchase Agreement and the Receivables Credit Agreements to be replaced by similar agreements which permit (a) the purchase price for

receivables to be paid with subordinated notes and (b) the purchase by the New Subsidiary of the variable funding certificates from Prime Receivables Corporation.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lenders have executed this Amendment, and Sections 1 and 2 hereof shall become effective subject to the following conditions precedent:

(a) The Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Agent and to be in form and substance satisfactory to the Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving this Amendment No. 3 to the Credit Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver this Amendment No. 3 to the Credit Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default;

(iv) final documentation evidencing the Refinancing Transaction; and

(b) On the Amendment Date, the Borrower shall pay all costs and expenses of the Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent and the Lenders are aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby.

SECTION 4. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1 and 2 hereof, on and after the Amendment Date each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement, respectively, as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 5. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

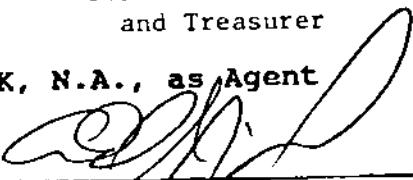
By:

Karen M Hoguet

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

CITIBANK, N.A., as Agent

By:


Name: ARNOLD J. ZIEGEL
Title: Vice President
CITIBANK, N.A.

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By:

Name:
Title:

CHEMICAL BANK

By:

Name:
Title:

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

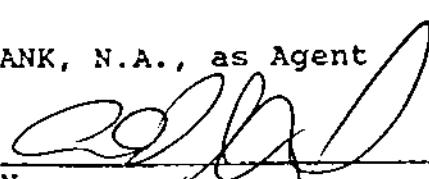
FEDERATED DEPARTMENT STORES, INC.

By: _____

Name: _____

Title: _____

CITIBANK, N.A., as Agent

By: 

Name: _____

Title: ARNOLD J. SIEGEL
Vice President
Cibank, N.A.

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By: _____

Name: _____

Title: _____

CHEMICAL BANK

By: 

Name: KURT C. JOMO

Title: VICE PRESIDENT

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Name:
Title:

CITIBANK, N.A., as Agent

By: _____
Name:
Title:

CO-AGENTS

SOCIETE GENERALE, NEW YORK BRANCH

By: 
Name: George J. Wagner
Title: Vice President

CHEMICAL BANK

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

LENDERS:

ALLIED IRISH BANK, PLC.

By: Mark Kane Marcia Meeker
Name: Mark Kane MARCIA MEEKER
Title: VP VP

BERLINER HANDELS-UND FRANKFURTER BANK

By: _____
Name:
Title:

CHEMICAL BANK

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

CONNECTICUT NATIONAL BANK

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

LENDERS:

ALLIED IRISH BANK, PLC.

By: _____
Name:
Title:

BERLINER HANDELS-UND FRANKFUTTER BANK

By: *Robert Szehely* *Journal* *lipi*
Name: Robert Szehely
Title: S. Vice Pres'l't

THOMAS L. GESSEL
AVP

CHEMICAL BANK

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

CONNECTICUT NATIONAL BANK

By: _____
Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By: David G. Godall
Name: DAVID G. GODALL
Title: ASSISTANT VICE PRESIDENT

MC INTERNATIONAL INVESTMENT LIMITED

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

ORIX USA CORPORATION

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By: _____
Name:
Title:

STAR BANK, N.A.

By: _____
Name:
Title:

IBJ SCHRODER BANK & TRUST COMPANY

By: _____
Name:
Title:

MC INTERNATIONAL INVESTMENT LIMITED

By: _____
Name:
Title:

MELLON BANK, N.A.

By: _____
Name:
Title:

ORIX USA CORPORATION

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By: John K. Wagner
Name: JOHN K. WAGNER
Title: Vice President

STAR BANK, N.A.

By: _____
Name:
Title:

THE CENTRAL TRUST COMPANY, N.A.

By: _____
Name:
Title:

THE FIFTH THIRD BANK

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON

By: Sarah C. Lincoln
Name: Sarah C. Lincoln
Title: Vice President

EXHIBIT 10.4.4

AMENDMENT NO. 4 to the
SERIES A NOTE AGREEMENT

AMENDMENT NO. 4, dated as of February 28, 1993, among FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Series A Note Agreement referred to below (the "Lenders"), CITIBANK, N.A. as Series A Agent (in such capacity, the "Series A Agent") and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH as Series A Co-Agent (in such capacity, the "Series A Co-Agent").

WHEREAS, the Borrower, the Series A Agent, the Series A Co-Agent and the Lenders have entered into that certain Series A Note Agreement, dated as of February 5, 1992, as amended to the date hereof (the "Series A Note Agreement") (Terms defined in the Series A Note Agreement are used herein as therein defined, unless otherwise defined herein); and

WHEREAS, the Borrower and the Lenders have agreed to amend the Series A Note Agreement and to waive compliance with certain provisions therein as hereinafter set forth;

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

SECTION 1. Amendments to Series A Note Agreement.
The Series A Note Agreement is, subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, hereby amended as follows:

(a) Article I of the Series A Note Agreement is hereby amended as follows:

(i) the definition of "Permitted Investments" is hereby amended by deleting the "and" immediately preceding clause (h) and adding at the end thereof:

" and (i) Investments of up to \$100 million outstanding at any given time in Third Parties Customers' Receivables."

(ii) the following definition shall be added to the appropriate alphabetical location in Article I:

"Third Parties Customers' Receivables" means any account, chattel paper or general intangible representing the indebtedness of Persons under revolving charge account, retail installment account, or similar agreements relating to the credit purchases of goods or services from retail merchants other than the Borrower or any of its Affiliates."

(b) Section 2.2(a) of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"(a) The Borrower shall repay the Series A Notes in full on February 15, 1997."

(c) Section 4.4 of the Series A Note Agreement is hereby amended and restated to read in full as follows:

"4.4 Cash Capital Expenditures. Not permit Cash Capital Expenditures made during each of the fiscal years set forth below to exceed the maximum amount set forth below for such fiscal year:

| <u>Fiscal Year Ending In</u> | <u>Maximum Amount of Cash Capital Expenditures</u> |
|--|--|
| January 1993 | \$228,234,000 |
| January 1994 | 360,000,000 |
| January 1995 | 400,000,000 |
| January 1996 and thereafter | 450,000,000 |

; provided, however, that, commencing with the fiscal year ending in January 1994, the Borrower may permit Cash Capital Expenditures to exceed the maximum amount set forth above for such fiscal year by an amount equal to the lesser of (i) 25% of the amount set forth above for the fiscal year preceding such fiscal year and (ii) the excess of (A) the amount of Cash Capital Expenditures permitted under this covenant for the fiscal year immediately preceding such fiscal year (after giving effect to this proviso) over (B) the actual amount of Cash Capital Expenditures made during such preceding fiscal year."

(d) Section 6.6 of the Series A Note Agreement is hereby amended and restated to read in full as follows:

***6.6 Increase in Employee Benefit Liabilities.**
The Borrower shall not, and shall not permit any of its Subsidiaries or, in the case only of a Title IV Plan, permit any of its ERISA Affiliates, to amend or establish any of the following employee benefit plans in a manner that would increase (or, in the case of a new plan, establish) liabilities or costs thereunder (measured, in the case of each amendment or establishment, at the time of such action) beyond the following limitations:

- (a) For any Title IV Plan (or any merged plan or successor plan): a net increase in the present value of accrued benefit liabilities (determined for all purposes of this Section 6.6 on the basis of compensation and service earned through the date of calculation and the actuarial assumptions used by the plan for funding purposes) such that the net increases on or after the Closing Date for all such plans exceed in the aggregate \$50 million plus increases of \$15 million in the aggregate for currently contemplated revisions of Title IV Plans maintained by the Borrower, its Subsidiaries or ERISA Affiliates as of the Closing Date, provided any increase in the present value of accrued benefit liabilities after a reduction in benefit accrual rates after the Closing Date shall not be included as an increase hereunder, except to the extent such increase in the present value of accrued benefit liabilities exceeds the amount of such liabilities which would have existed had the benefit accrual rates not been reduced;
- (b) For any Welfare Benefit Plan: a net increase in the annual cash outlay allocable to all post-retirement benefits in the aggregate of more than \$25 million attributable to the employer; and
- (c) For any unfunded Pension Plan: a net increase in the annual cash outlay allocable to all unfunded Pension Plans in the aggregate (beyond the costs related to the liabilities contemplated in the Disclosure Statement) of more than \$25 million.

Any of the preceding employee benefit plans may be amended, however, without regard to, and in

addition to the foregoing limits (i) if necessary to comply with applicable law, or (ii) if the action has been reviewed by an independent compensation consultant retained by the Borrower, the Borrower's board of directors has approved such action, and the Borrower has obtained the consent of the Majority Lenders regarding such action, such consent not to be unreasonably withheld. Notwithstanding the foregoing, in no event shall the assets of the Allied Pension Plan be merged, spun-off, or otherwise transferred to any other plan prior to the third anniversary of the Closing Date, other than (a) a transfer to a "qualified replacement plan" within the meaning of Section 4980(d) of the Code of the minimum amount necessary to satisfy Section 4980(d)(2)(B) of the Code in connection with the termination of the Allied Pension Plan and the reversion of excess assets to the Borrower or (b) with the consent of the Majority Lenders, such consent not to be unreasonably withheld."

SECTION 2. Waivers and Consents. Subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the Lenders hereby (i) consent to the prepayment in full of all of the Series B Notes outstanding under the Series B Indenture without any prepayment with respect to the Series A Notes (the "Prepayment Transaction"), and (ii) waive compliance with Section 6.3(b)(iv) of the Series A Note Agreement, in order to allow the Borrower to effectuate the Prepayment Transaction.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective when, and only when, the Series A Agent shall have received counterparts of this Amendment executed by the Borrower and the Majority Lenders or, as to any of the Lenders, advice satisfactory to the Series A Agent that such Lenders have executed this Amendment, and Sections 1 and 2 hereof shall become effective subject to the following conditions precedent:

(a) The Series A Agent shall have received, on or before the effective date hereof (the "Amendment Date"), all of the following documents, each document to be dated the date of receipt thereof by the Series A Agent and to be in form and substance satisfactory to the Series A Agent:

(i) certified copies of the resolutions of the Board of Directors of the Borrower, approving Amendment No. 4 to the Series A Note Agreement, and all other documents delivered hereunder to which it is a party;

(ii) incumbency certificates of the Secretary or an Assistant Secretary of the Borrower, certifying the names and true signatures of its officers authorized to execute and deliver Amendment No. 4 to the Series A Note Agreement;

(iii) certificates of the chief financial officer of the Borrower, stating that no event has occurred and is continuing, or would result from the execution and delivery of this Amendment, which constitutes or would constitute a Default or an Event of Default;

(iv) forms of final documentation evidencing the Prepayment Transaction; and

(v) a favorable opinion of Jones, Day, Reavis & Pogue, counsel for the Borrower, substantially in the form of Exhibit A hereto;

(b) the Series A Agent shall have received on the Amendment Date from the Borrower for the ratable benefit of the Lenders who have executed this Amendment No. 4 to the Series A Note Agreement on or prior to March 4, 1993 (the "Consenting Lenders") a cash fee equal to .625% of the aggregate unpaid principal amount of the Series A Notes held by the Consenting Lenders on the Amendment Date;

(c) the Series A Agent shall have received a coordination fee as described in the fee letter dated February 9, 1993 by and between the Series A Agent and the Borrower;

(d) on the Amendment Date, the Borrower shall pay all costs and expenses of the Series A Agent (including, without limitation, reasonable attorneys' fees) to such date, of which the Agent is aware, in connection with the preparation, execution and delivery of this Amendment, and the consummation of the transactions contemplated hereby; and

(e) on or before the Amendment Date, the Series A Agent and the Lenders shall have received such other approvals, opinions or documents as the Series A Agent may reasonably request.

SECTION 4. Representations and Warranties of the Borrower. Borrower represents and warrants to the Lenders, after giving effect to this Amendment, as follows:

(a) No Default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by Borrower of this Amendment and the performance of the Prepayment Transaction have been duly authorized by all necessary corporate action of Borrower and do not require any consent or approval by any of Borrower's Subsidiaries or any other person other than as provided herein or previously obtained.

(c) This Amendment has been duly authorized, executed and delivered by Borrower and constitutes a legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms.

SECTION 5. Reference to and Effect on the Loan Documents. (a) Upon the effectiveness of Sections 1 and 2 hereof, on and after the Amendment Date each reference in the Series A Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in the other Loan Documents to the Series A Note Agreement, shall mean and be a reference to the Series A Note Agreement, as amended hereby.

(b) Except as specifically amended above, the Series A Note Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

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

SECTION 6. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of

the Series A Agent in connection with the preparation, reproduction, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Series A Agent. In addition, the Borrower shall pay any and all stamps and other taxes and fees payable or determined to be payable in connection with the execution and delivery, filing or recording of this Amendment and the other instruments and documents to be delivered hereunder and agrees to save the Series A Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same Amendment.

SECTION 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

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

FEDERATED DEPARTMENT STORES, INC.

By: Karen M Hoguet
Title: Senior Vice President- Planning
and Treasurer

CITIBANK, N.A., as Series A Agent

By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

By: 
Title: ARNOLD J. ZIEGEL
Vice President
CITIBANK, N.A.

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: _____
Name:
Title:

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

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

FEDERATED DEPARTMENT STORES, INC.

By: _____
Title:

CITIBANK, N.A., as Series A Agent

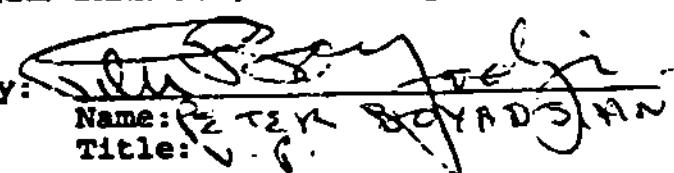
By: _____
Title:

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH, as Series A
Co-Agent

By: _____
Title:

LENDERS:

ARAB BANK PLC, Grand Cayman Branch

By: 
Name: PETER S. RYDMAN
Title: V.P.

BANCA NAZIONALE DELL' AGRICOLTURA,
New York Branch

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO,
S.A.

By: _____

Name:
Title:

BANCA DI ROMA, New York Branch

By: _____

Name:
Title:

BANCO DI SICILIA

By: _____

Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____

Name:
Title:

BANK OF IRELAND

By: _____

Name:
Title:

BANCO CENTRAL HISPANOAMERICANO.
S.A.

By: _____
Name:
Title:

BANCA DI ROMA, New York Branch

By: Thomas Howell Ralph C. Kirch
THOMAS HOWELL RALPH C. KIRCH
VICE PRESIDENT FIRST VICE PRESIDENT
5-3-92

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name:
Title:

BANK OF IRELAND

By: _____
Name:
Title:

BANCO CENTRAL HISPANOAMERICANO,
S.A.

By: _____
Name:
Title:

BANCA DI ROMA, New York Branch

By: _____
Name:
Title:

BANCO DI SICILIA

By: _____
Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By: _____
Name: Eric Hollander
Title: Senior Vice President
Credit Department Dominick H.J. Vengae
Vice President
Credit Department

BANK OF IRELAND

By: _____
Name:
Title:

FROM BANK OF IRELAND NY

3. 5.1993 10146

P. 2

BANCO CENTRAL HISPANOAMERICANO.
S.A.

By:

Name:
Title:

BANCA DI ROMA, New York Branch

By:

Name:
Title:

BANCO DI SICILIA

By:

Name:
Title:

BBL, BANK BRUSSELS LAMBERT,
New York Branch

By:

Name:
Title:

BANK OF IRELAND

By:


Name: Roger M. Burns
Title: AVP

BANK OF SCOTLAND

By:

Name: J. CRAIG WILSON
Title: VICE PRESIDENT

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK AKTIENGESELLSCHAFT, Cayman Islands Branch

By:

Name:
Title:

CITIBANK, N.A.

By:

Name:
Title:

COMMERZBANK AG, Grand Cayman Branch

By:

Name:
Title:

DRESSDNER BANK AG, New York and Grand Cayman Branches

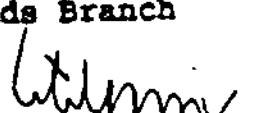
By:

Name:
Title:

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: W. J. Murphy  R. G. FAULKNER
Name: A. Schaff's 
Title: EVP FVP

CITIBANK, N.A.

By: _____
Name:
Title:

COMMERZBANK AG, Grand Cayman Branch

By: _____
Name:
Title:

DRESDNER BANK AG, New York and
Grand Cayman Branches

By: _____
Name:
Title:

BANK OF SCOTLAND

By: _____

Name: _____

Title: _____

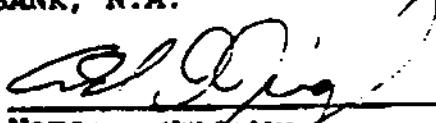
BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK AKTIENGESELLSCHAFT, Cayman Islands Branch

By: _____

Name: _____

Title: _____

CITIBANK, N.A.

By: 

Name: ARNOLD LIEGEL

Title: Vice President
CITIBANK, N.A.

COMMERZBANK AG, Grand Cayman Branch

By: _____

Name: _____

Title: _____

DRESDNER BANK AG, New York and Grand Cayman Branches

By: _____

Name: _____

Title: _____

BANK OF SCOTLAND

By: _____
Name:
Title:

BAYERISCHE HYPOTHEKEN-UND WECHSEL-
BANK AKTIENGESELLSCHAFT, Cayman
Islands Branch

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

COMMERZBANK Aktiengesellschaft

By: Otto Baue
Name:
Title:

DRESDNER BANK AG, New York and
Grand Cayman Branches

By: _____
Name:
Title:

**EATON VANCE PRIME RATE
RESERVES**

By:

Name: Jeffrey S. Garner
Title: Vice President

IBJ LEASING (U.S.A.) INC.

By:

Name: _____
Title: _____

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG.
New York Branch

By i

Name:
Title:

MARUBENI AMERICA CORPORATION

By:

Name:
Title:

**MARUBENI FINANCE AND INVESTMENT
LIMITED**

By:

Name:
Title:

RATON VANCE PRIME RATE
RESERVES, INC.

By: _____
Name:
Title:

IBJ LEASING (U.S.A.) INC.

By: 
Name: MITSURU HISAMATSU
Title: PRESIDENT

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____
Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____
Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

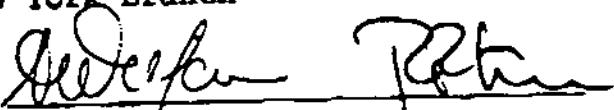
EATON VANCE PRIME RATE
RESERVES, INC.

By: _____
Name:
Title:

TBJ LEASING (U.S.A.) INC.

By: _____
Name:
Title: -

~~ERGOCREDIT BANK X OVER GIROCREDIT BANK~~
~~ESTABLISHED IN 1949~~
New York Branch

By: 
Name: ANCA TRIFAN
Title: VICE PRESIDENT

MARUBENI AMERICA CORPORATION

By: _____
Name:
Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

EATON VANCE PRIME RATE
RESERVES, INC.

By: _____
Name:
Title:

IBJ LEASING (U.S.A.) INC.

By: _____
Name:
Title:

GIROZENTRALE UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG.
New York Branch

By: _____
Name:
Title:

MARUBENI AMERICA CORPORATION

By: _____
Name: Yukichi Hayashi
Title: Assistant General Manager

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: _____
Name:
Title:

BATON VANCE PRIME RATE
RESERVES, INC.

By: _____

Name:

Title:

IBJ LEASING (U.S.A.) INC.

By: _____

Name:

Title:

GIROZENTRAL S UND BANK DER
OSTERREICHISCHEN SPARKASSEN AG,
New York Branch

By: _____

Name:

Title:

MARUBENI AMERICA CORPORATION

By: _____

Name:

Title:

MARUBENI FINANCE AND INVESTMENT
LIMITED

By: 

Name: Noriyuki Marukawa

Title: President

MITSUI & CO. FINANCE INC.

By: Fujimitsu Mizuno
Name: Fujimitsu Mizuno
Title: President & CEO

PEARL STREET, L.P. I

By: _____
Name:
Title:

PILGRIM PRIME RATE TRUST

By: _____
Name:
Title:

SHOWA LEASING

By: _____
Name:
Title:

THE ASAHI BANK, LTD.

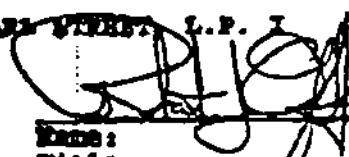
By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

mitsui & CO. FINANCE INC.

By: _____
Name: _____
Title: _____

PEAK STREET L.P. I

By: _____
Name: _____
Title: _____

PEAKM PRIME RATE TRUST

By: _____
Name: _____
Title: _____

AGORA LEASING

By: _____
Name: _____
Title: _____

THE ASAKI BANK, LTD.

By: _____
Name: _____
Title: _____

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name: _____
Title: _____

MITSUI & CO. FINANCE INC.

By: _____
Name:
Title:

PEARL STREET, L.P. I

By: _____
Name:
Title:

PILGRIM PRIME RATE TRUST

By: _____
Name:
Title:

SHOWA LEASING (U.S.A.) INC.

By: _____
Name: ETSURO SATO
Title: PRESIDENT

THE ASAHI BANK, LTD.

By: _____
Name:
Title:

THE BANK OF TOKYO TRUST COMPANY

By: _____
Name:
Title:

MAR-24-1993 11:06

... CO. FINA.

By:

Name:
Title:

PEARL STREET, L.P., Z

By:

Name:
Title:

PILGRIM PADDLE RATE TRUST

By:

Name:
Title:

SHOWA LEASING

By:

Name:
Title:

THE ASANZ BANK, LTD.

By:


Name: Shigeharu Nakamura
Title: Senior Deputy General Manager

THE BANK OF TOKYO TRUST COMPANY

By:

Name:
Title:

13

MITSUI & CO. FINANCE INC.

By: _____
Name: _____
Title: _____

PEARL STREET, L.P. I

By: _____
Name: _____
Title: _____

PILGRIM PRIME RATE TRUST

By: _____
Name: _____
Title: _____

SHOWA LEASING

By: _____
Name: _____
Title: _____

THE ASAHI BANK, LTD.

By: _____
Name: _____
Title: _____

THE BANK OF TOKYO TRUST COMPANY

By: A. S. Ryan
Name: A. S. RYAN
Title: Vice President

THE BANK OF YOKOHAMA, LTD.

By:

Name: N. KESDA
Title: D.G.M

THE CHIBA BANK, LTD.

By:

Name:
Title:

THE DAIWA BANK

By:

Name:
Title:

THE FUJI BANK, LIMITED

By:

Name:
Title:

THE HOKKAIDO BANK, LTD.

By:

Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By:

Name:
Title:

THE BANK OF YOKOHAMA, LTD.

By: _____

Name: _____

Title: _____

THE CHIBA BANK, LTD.

By: _____

Name: Tetsuji Kawakami

Title: General Manager

THE DAIWA BANK

By: _____

Name: _____

Title: _____

THE FUJI BANK, LIMITED

By: _____

Name: _____

Title: _____

THE HOKKAIDO BANK, LTD.

By: _____

Name: _____

Title: _____

THE HOKKAIDO TAKUSHOKU BANK, LTD.
New York Branch

By: _____

Name: _____

Title: _____

MAR-02-1993 12:00 FROM WEIL GOTSHAL & MANGES TO

P.02

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE DATWA BANK

By: _____
Name:
Title:

THE FUJI BANK, LIMITED

By: 
Name: NOBUAKI ONISHI
Title: VP & MANAGER

THE HOKKAIDO BANK, LTD.

By: _____
Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____
Name:
Title:

APR-13-1993 13:19 FROM WG&M NYC

TO 37#358260314#1513579

P.001

MAR-25-1993 10:48 FROM HOKKAIDO BANK NEW YORK TO

3108227

P.02

THE BANK OF YOKOHAMA, LTD.

By: _____

Name:

Title:

THE CHIBA BANK, LTD.

By: _____

Name:

Title:

THE DAIWA BANK

By: _____

Name:

Title:

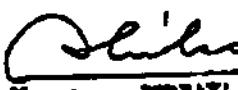
THE FUJI BANK, LIMITED

By: _____

Name:

Title:

THE HOKKAIDO BANK, LTD.

By: 

Name: SHIBUSAKI AKIRO

Title: GENERAL MANAGER

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: _____

Name:

Title:

APR-13-1993 13:19 FROM WG&M NYC

TO 37#358860314#1513579 P.002

THE BANK OF YOKOHAMA, LTD.

By: _____
Name:
Title:

THE CHIBA BANK, LTD.

By: _____
Name:
Title:

THE DAIWA BANK

By: _____
Name:
Title:

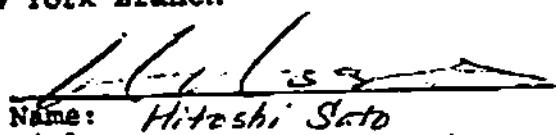
THE FUJI BANK, LIMITED

By: _____
Name:
Title:

THE HOKKAIDO BANK, LTD.

By: _____
Name:
Title:

THE HOKKAIDO TAKUSHOKU BANK, LTD.,
New York Branch

By: 
Name: Hitoshi Sato
Title: V.P.

THE HOKURIKU BANK, LTD.

By: Fumito Kanata
Name: Fumito Kanata
Title: Deputy General Manager

THE HYAKUJUSHI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE HOKURIKU BANK, LTD.

By: _____
Name:
Title:

THE HYAKUJUSHI BANK, LIMITED

By: Z7Z7035
Name:
Title:GENERAL MANAGER

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

THE HOKURIKU BANK, LTD.

By: _____
Name:
Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name: TSUNEKI HARA
Title: JOINT GENERAL MANAGER

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

APR-13-1993 13:20 FROM WG&M NYC

TO 37#358260314#1513579 P.006

THE HOKURIKU BANK, LTD.

By: _____
Name:
Title:

THE HYAKUJUSHI BANK, LIMITED

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____
Name:
Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: S. Uchida
Name: Shunko Uchida
Title: Vice President

THE NIPPON CREDIT BANK, LTD.

By: _____
Name:
Title:

APR-13-1993 13:21

FROM: WG&M NYC

TO 37#358860314#1513573

P.007

THE HOKURIKU BANK, LTD.

By: _____

Name:

Title:

THE HYAKUJUSKI BANK, LIMITED

By: _____

Name:

Title:

THE INDUSTRIAL BANK OF JAPAN TRUST
COMPANY

By: _____

Name:

Title:

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, New York Branch

By: _____

Name:

Title:

THE NIPPON CREDIT BANK, LTD.

By: _____

Name: Yoshiki Ishizuka

Title: Assistant Vice President

APR-13-1993 13:21

FROM WG&M NYC

TO 37#358860314#1513579

P. 008

THE SANWA BANK LIMITED,
New York Branch

By: Stephen Dore
Name: STEPHEN DORE
Title: INC PRESIDENT

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

APR-13-1993 13:21

FROM WG&M NYC

TO 37#358800314#1513579

P.009

THE SANWA BANK LIMITED,
New York Branch

By: _____

Name:

Title:

THE SUMITOMO BANK LIMITED

By: Yoshinori Kawamura

Name: Yoshinori Kawamura

Title: Joint General Manager

THE TOYO TRUST & BANKING CO., LTD.

By: _____

Name:

Title:

YTB LEASING (AMERICA) INC.

By: _____

Name:

Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____

Name:

Title:

APR-13-1993 13:22 FROM WG&M NYC

TO 37#352260314#1513579 P.010

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: Toshiro Kurose
Name: Toshiro Kurose
Title: Vice President

YTB LEASING (AMERICA) INC.

By: _____
Name:
Title:

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

APR-13-1993 13:22 FROM WG&M NYC

TO 37#358864314#1513079 F.D.I.C.

THE SANWA BANK LIMITED,
New York Branch

By: _____
Name:
Title:

THE SUMITOMO BANK LIMITED

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD.

By: _____
Name:
Title:

YTB LEASING (AMERICA) INC.

By: 
Name: Kazuya Miura
Title: President

Z-LANDERBANK BANK AUSTRIA AG

By: _____
Name:
Title:

Exhibit A

[JONES, DAY, REAVIS & POGUE LETTERHEAD]

February ___, 1993

To the Lenders Parties
to the Amendment
Referred to Below

Re: Federated Department Stores, Inc.

Ladies and Gentlemen:

We have acted as special counsel to Federated Department Stores, Inc., a Delaware corporation (the "Borrower"), in connection with Amendment No. 4, dated as of February __, 1993 (the "Amendment"), to the Series A Note Agreement, dated as of February 5, 1992, by and among the Borrower, the financial institutions listed on the signature pages thereto (collectively, the "Lenders"), Citibank, N.A., as agent for the Lenders (in such capacity, the "Agent"), and The Sumitomo Bank, Limited, as co-agent for the Lenders (in such capacity, the "Co-Agent"). Certain capitalized terms used herein and not otherwise defined herein are defined in the Amendment. This opinion is furnished to you pursuant to Section 3(a)(v) of the Amendment.

We have examined such documents and records as we have deemed necessary for purposes of this opinion. We also have investigated such questions of law for the purpose of rendering this opinion as we have deemed necessary. We do not herein express any opinion with respect to the subject transactions as to any matters governed by any laws other than the laws of the State of New York, the General Corporation Law of the State of Delaware (the "DE GCL"), and the federal laws of the United States.

Based on the foregoing, and subject to the assumptions, qualifications, and limitations set forth herein, we are of the opinion that:

1. The Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the

state of its incorporation and has the corporate power and authority to own its properties and to conduct its business as now being conducted.

2. The execution, delivery, and performance by the Borrower of the Amendment and the consummation by the Borrower of the transactions contemplated by the Amendment and the Prepayment Transaction have been duly authorized by the Borrower by all necessary corporate action and are within its corporate powers and authority.

3. The Amendment has been duly executed and delivered by the Borrower and constitutes the valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

4. No approval, authorization, or consent of any Person is required of the Borrower for the execution and delivery of the Amendment and performance of the transactions contemplated by the Amendment and the Prepayment Transaction, except for approvals, authorizations or consents which have been duly made or obtained and are in full force and effect on the date hereof.

5. The Amendment will become effective upon the execution thereof by the Borrower and the Majority Lenders, with the effectiveness of Sections 1 and 2 thereof being subject to the satisfaction of the conditions precedent set forth in Section 3 of the Amendment.

The opinions set forth above are subject to the following assumptions, qualifications, and limitations:

- (a) For purposes of this opinion, we have assumed the genuineness of all signatures on original or certified copies, the authenticity of all documents submitted to us as originals and the conformity to original or certified copies of all copies submitted to us as certified or reproduction copies.
- (b) Our opinion in paragraph 3 is subject, as to enforceability, to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.
- (c) Our opinion in paragraph 3 is subject, as to enforceability, to the effect of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing (regardless whether considered in a proceeding in equity or at law) and the remedy of specific performance.

- (d) We have assumed, to the extent the obligations of the Borrower may be dependent on such matters, that each party to the Amendment other than the Borrower is duly organized, validly existing, and in good standing under the laws of its state of incorporation. We also have assumed the due authorization, execution, and delivery of the Amendment by all parties other than the Borrower and the validity and binding effect of the Amendment with regard to such parties.
- (e) We express no opinion as to the applicability to the obligations of the Borrower under the Amendment or the Prepayment Transaction relating to fraudulent transfer, fraudulent obligations or preferential transfer, or any laws governing the distribution of assets of the Borrower, including without limitation, section 548 of title 11 of the United States Code.
- (f) As to certain factual matters, we have relied upon certificates of officers of the Borrower without any independent investigation whatsoever. In rendering the opinion in paragraph 1 as to the valid existence and good standing of the Borrower we have relied solely upon good standing certificates issued by governmental entities.

This opinion may be relied upon only by the addressees hereof and is solely for their benefit in connection with the above transactions. This opinion may not be relied upon by such entities for any other purpose, or by any other person, firm, or corporation for any purpose, without our prior written consent. Each of the matters set forth herein is as of the date hereof, and we hereby undertake no, and disclaim any, obligation to advise you of any change in any matters set forth herein or upon which this opinion is based.

Very truly yours,

JONES, DAY, REAVIS & POGUE

3862c

APR 22 1993

SEC

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Exhibits

to

FORM 10-K

**Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934**

Volume 2

Federated Department Stores, Inc.

EXHIBIT 10.8

Conformed Copy

FEDERATED DEPARTMENT STORES, INC.

and

THE FIRST NATIONAL BANK OF BOSTON,

Trustee

Indenture

Dated as of April 8, 1993

**Up To \$ 307,397,000
Senior Convertible Discount Notes Due February 15, 2004**

FEDERATED DEPARTMENT STORES, INC.

Senior Convertible Discount Notes Due February 15, 2004

CROSS REFERENCE SHEET*

This Cross Reference Sheet shows the location in the Indenture of the provisions inserted pursuant to Sections 310-318(a), inclusive, of the Trust Indenture Act of 1939, as amended.

| <u>Trust Indenture Act</u> | <u>Sections of Indenture</u> |
|------------------------------------|----------------------------------|
| 310(a)(1)(2)(5) | 7.09 |
| (3)(4) | Inapplicable |
| (b) | 7.08 and 7.10 |
| (c) | Inapplicable |
| 311(a)(b) | 7.13 |
| (c) | Inapplicable |
| 312(a) | 5.01 and 5.02 |
| (b)(c) | 5.02 |
| 313(a)(1)(2)(3)(4)(5)(8) | 5.04 |
| (6)(7) | Inapplicable |
| (b)(1) | Inapplicable |
| (2) | 5.04 |
| (c)(d) | 5.04 |
| 314(a) | 4.15 and 5.03 |
| (b) | Inapplicable |
| (c)(1)(2) | 15.05 |
| (3) | Inapplicable |
| (d) | Inapplicable |
| (e) | 15.05 |
| (f) | Inapplicable |
| 315(a)(c)(d) | 7.01 and 8.04 |
| (b) | 6.08 |
| (e) | 6.07 |
| 316(a)(1) | 6.01, 6.06 and 8.04 |
| (2) | Inapplicable |
| (b) | 6.04 |
| (c) | 6.01 |
| 317(a) | 6.02 |
| (b) | 4.14 |
| 318(a) | 15.07 |

* The Cross Reference sheet is not part of the Indenture.

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Schedule I - Debt

INDENTURE, dated as of April 8, 1993, between FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), and THE FIRST NATIONAL BANK OF BOSTON, a national banking association organized and existing under the laws of the United States (the "Trustee").

RECITALS

A. The Company previously has issued \$307,397,947.47 aggregate stated principal amount of Senior Convertible Discount Notes due February 15, 2004 (the "Original Notes") pursuant to a Senior Convertible Discount Note Agreement, dated as of February 5, 1992 (the "Convertible Note Agreement"), among the Company, the financial institutions listed on the signature pages thereto, Citibank, N.A., as agent for the holders of the Original Notes, and the Sumitomo Bank, Limited, New York Branch, as co-agent for the holders of the Original Notes.

B. Pursuant to Section 6.5 of the Convertible Note Agreement, certain holders of Original Notes have requested in writing that the Company (i) enter into this Indenture, which provides the terms and conditions upon which new Senior Convertible Discount Notes due February 15, 2004 (the "Notes") are to be authenticated, issued, and delivered in exchange for Original Notes, and (ii) cause this Indenture to be qualified under the Trust Indenture Act.

C. The text of the Notes is to be substantially in the following form:

[FORM OF FACE OF NOTE]

FEDERATED DEPARTMENT STORES, INC.

SENIOR CONVERTIBLE DISCOUNT NOTE DUE FEBRUARY 15, 2004

No. R-_____

\$ _____
Stated Principal Amount

CUSIP 31410J-AC-1

Issue Price: \$888.48
(for each \$1,000 stated
principal amount)

THIS NOTE WAS ISSUED UPON THE SURRENDER OF A PREVIOUSLY ISSUED NOTE HAVING SUBSTANTIALLY IDENTICAL TERMS. FOR FEDERAL INCOME TAX PURPOSES, THE TOTAL AMOUNT OF ORIGINAL ISSUE DISCOUNT WITH RESPECT TO EACH \$1,000 STATED PRINCIPAL AMOUNT IS \$164.19, THE ISSUE DATE IS FEBRUARY 5, 1992, AND THE YIELD TO MATURITY IS 6.00% (ASSUMING THAT THE RESET CONDITION DOES NOT OCCUR). THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ALLOCABLE TO THE SHORT INITIAL ACCRUAL PERIOD (THE ACCRUAL PERIOD ENDED FEBRUARY 15, 1992) IS \$1.67 PER \$1,000 STATED PRINCIPAL AMOUNT, DETERMINED ON THE BASIS OF THE BOND AMORTIZATION METHOD.

FEDERATED DEPARTMENT STORES, INC., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, the stated principal amount of \$ _____ on February 15, 2004, subject to the mandatory and optional prepayments or redemptions provided for in the Indenture. The issue price of this Note (the "Issue Price") is \$888.48 per \$1,000 stated principal amount hereof. From February 15, 1993 to February 15, 1995, this Note will accrete Original Issue Discount (the difference between the Issue Price and the stated principal amount hereof) at the rate of 6.0% per annum, compounded semiannually on each February 15 and August 15 (computed as provided in the Indenture). From and after the applicable Interest Accrual Date, this Note will bear interest on the unpaid balance of the stated principal amount hereof, computed as provided in the Indenture, at the rate of 6.0% per annum or, if the Reset Condition occurs, at the Reset Rate.

Following the applicable Interest Accrual Date, interest will be payable semiannually in arrears on the next following February 15 or August 15 and on each February 15 and August 15 thereafter, except as provided in the Indenture for certain Notes issued between the Regular Record Date preceding an Interest Payment Date and such Interest Payment Date upon registration of transfer of or in exchange for Predecessor Notes, and at Maturity. To the extent permitted by applicable law, interest will be paid on any overdue principal, on any overdue interest, and on any other overdue amounts payable hereunder or under the Indenture, at the rate of 8.0% per annum or, if the Reset Condition occurs, at the rate that is 200 basis points higher than the Reset Rate, from the due date until paid.

The Notes are being issued under the Indenture pursuant to Section 6.5 of the Convertible Note Agreement, which provides for the Notes to be so issued in exchange for

Original Notes to holders of Original Notes who elect to exchange their Original Notes for Notes. As a condition precedent to the receipt of an Initial Note under the Indenture, each holder of Original Notes electing so to exchange Original Notes for Notes must surrender to the Company for cancellation all of the Original Notes held by such holder. (Each Note initially issued to a Holder following the satisfaction of such condition precedent and prior to any transfer thereof is referred to herein and in the Indenture as an "Initial Note.") Initial Notes may be issued on different dates commencing on the date of the Indenture. No Note will be deemed Outstanding for purposes of exercising voting rights or similar rights of a Holder pursuant to the Indenture unless and until it or a Predecessor Note that is an Initial Note has been issued in accordance with the terms of the Indenture.

Interest on a Note will accrue from February 15, 1995, or, if there has occurred an Interest Payment Date next preceding the date of issuance thereof to which interest has been paid or duly provided for with respect to the Notes, from such Interest Payment Date (the applicable date referred to herein and in the Indenture as an "Interest Accrual Date"); provided that the Interest Accrual Date for an Initial Note issued on an Interest Payment Date to which interest has been paid or duly provided for will be the date of issuance thereof. The interest payable with respect to a Note on any Interest Payment Date will be paid to the Person in whose name such Note is registered, subject to certain exceptions provided in the Indenture with respect to Initial Notes and Notes issued upon registration of transfer of or in exchange for Predecessor Notes, on the close of business on the February 1 or August 1 (each the "Regular Record Date") next preceding such Interest Payment Date; provided, however, that any such interest not punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to such Person on such date, and may be paid to the Person in whose name such Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date not more than 15 calendar days and not less than 10 calendar days prior to the date fixed by the Trustee for payment of such Defaulted Interest, or such Defaulted Interest may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Any interest payable may, at the option of the Company, be paid by check mailed, first-class postage prepaid, on or before such Interest Payment Date, to the

registered address of such Person. Interest payable at Maturity will be payable to the Person to whom principal is payable.

REFERENCE IS MADE TO THE FURTHER PROVISIONS SET FORTH ON THE REVERSE HEREOF. SUCH PROVISIONS WILL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH IN THIS PLACE.

All terms used herein with initial capital letters which are not otherwise defined herein are so used with the respective meanings assigned to such terms in the Indenture.

This Note will not be valid or become obligatory for any purpose until the certificate of authentication herein has been signed manually by the Trustee under the Indenture referred to on the reverse side hereof.

IN WITNESS WHEREOF, this instrument has been duly executed in accordance with the Indenture.

FEDERATED DEPARTMENT STORES, INC.

Date Issued: _____ By: _____

Attest:

By: _____

[FORM OF REVERSE OF NOTE]

FEDERATED DEPARTMENT STORES, INC.

SENIOR CONVERTIBLE DISCOUNT NOTE DUE FEBRUARY 15, 2004

1. This Note is one of a duly authorized issue of Notes of the Company, designated as its "Senior Convertible Discount Notes Due February 15, 2004" (the "Notes"), limited in aggregate principal amount to \$307,397,000, except as provided in the Indenture referred to below, all issued or to be issued under and pursuant to an indenture dated as of April 8, 1993

(herein called the "Indenture") duly executed and delivered by the Company to The First National Bank of Boston, as Trustee (herein called the "Trustee"), to which Indenture, and all indentures supplemental thereto, reference is hereby made for a statement of the rights, limitations of rights, obligations, duties, and immunities thereunder of the Trustee, the Company, and the Holders of the Notes.

2. Except as otherwise provided on the face of this Note or in the Indenture, the Company will pay interest on the Notes (other than Defaulted Interest) to the Persons who are registered Holders of the Notes at the close of business on the Regular Record Date; provided, however, that the interest payable at Maturity will be payable to the Person to whom principal is payable. In accordance with the Indenture, Holders must surrender Notes to the Paying Agent to collect any payment representing, in whole or in part, Issue Price plus accreted Original Issue Discount or stated principal. The Company will pay principal of, interest on, and other amounts payable in respect of, the Notes in money of the United States that at the time of payment is legal tender for payment of public and private debts ("U.S. Legal Tender"). However, the Company may pay principal of, interest on, and other amounts payable in respect of, the Notes by check payable in such U.S. Legal Tender. The Company may deliver any such payment of interest and other amounts to the Paying Agent or, if the Company is its own Paying Agent, may mail any such payment of interest and other amounts to a Holder at the Holder's registered address.

3. The Company agrees that, so long as any of the Notes are Outstanding, it will maintain a paying agent and a conversion agent in the Borough of Manhattan, The City and State of New York, for the payment of principal of, interest on, and other amounts payable in respect of, the Notes. The Company initially appoints the Trustee as Paying Agent and Conversion Agent. The Company has the right at any time and from time to time to vary or terminate any such appointment as Paying Agent and Conversion Agent and to appoint any other Paying Agent, Conversion Agent, or agency.

4. The Company will prepay or redeem all or a portion of the aggregate stated principal amount of the Notes as provided in Section 3.03 of the Indenture. In addition, pursuant to Section 3.01 of the Indenture, the Notes may be prepaid or redeemed at the option of the Company, in whole or in part, at any time on or after February 15, 1995, upon the giving of notice of prepayment or redemption as described in

the Indenture, at a prepayment or redemption price (the "Prepayment Price") equal to 100% of the stated principal amount thereof, plus accrued and unpaid interest to the date fixed for prepayment or redemption (the "Prepayment Date"). Any prepayment or redemption of Notes made pursuant to Section 3.01 or 3.03 of the Indenture will be applied ratably to the prepayment or redemption of Original Notes. The Company may not rescind any election to prepay or redeem the Notes after notice of such prepayment or redemption has been mailed to Holders of the Notes as provided in the Indenture.

5. The Company or any Subsidiary of the Company may at any time purchase or otherwise acquire any Original Note or Note. Any Original Note or Note so purchased or acquired by the Company or any Subsidiary of the Company may be applied toward payment of the obligations of the Company to prepay or redeem Notes to the extent provided in the Indenture.

6. Notice of prepayment or redemption will be given to the Holders of Notes to be prepaid by mailing a notice of such prepayment (by first-class mail, postage prepaid) not less than 30 nor more than 90 calendar days prior to the Prepayment Date to their last addresses as they appear upon the Note register, all as provided in the Indenture. If money sufficient to pay the Prepayment Price of all Notes (or portions thereof) to be prepaid or redeemed on the Prepayment Date is deposited with the Paying Agent (or, if the Company is acting as its own Paying Agent, separated and held in trust as provided in the Indenture) prior to the Prepayment Date (less an amount equal to the aggregate value, determined in accordance with the applicable provisions of the Indenture, of Notes delivered to the Trustee prior to such date for cancellation) on and after the Prepayment Date interest will cease to accrue on such Notes or portions thereof, and the Holder will have no other rights as such (other than the right to receive the Prepayment Price upon surrender of such Notes). Notes in denominations larger than \$1,000 may be prepaid or redeemed in part, but only in integral multiples of \$1,000.

7. The Notes are issuable as registered Notes without coupons in denominations of \$1,000 and integral multiples of \$1,000. At the office or agency to be maintained by the Company in the Borough of Manhattan, The City and State of New York, or Boston, Massachusetts, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged, without charge except for any tax or other governmental charge imposed in relation thereto, for a like aggregate principal amount of Notes of other authorized denominations.

8. The Holder of any Note or Notes will have the right, at its option, at any time prior to final Maturity (except that with respect to any Note or Notes, or any portion thereof, that the Company elects to prepay or redeem, such right will terminate at the close of business on the fifth Business Day prior to the date scheduled for prepayment or redemption of such Note or Notes or portion thereof, unless the Company defaults in payment due upon prepayment or redemption thereof), to convert, subject to the terms and provisions of the Indenture, the principal of any such Note or Notes (or any portion of the principal thereof which is \$1,000 stated principal amount or an integral multiple of \$1,000 stated principal amount) into fully paid and non-assessable shares of Common Stock at the rate of 27.86 shares of Common Stock for each \$1,000 stated principal amount of Notes or, if an adjustment therein has taken place pursuant to the provisions of Section 14.03 of the Indenture, then at the rate as so adjusted. On conversion of a Note, any Original Issue Discount accreted through the time of conversion, as determined pursuant to Section 14.01, will not be canceled or extinguished, but rather will be deemed to be paid in full to the Holder through the delivery of Common Stock in exchange for the Note being converted. Upon the conversion of any Note, no adjustment in respect of dividends will be made but, on the date of the conversion, the Company will deliver through the Conversion Agent a check for any accrued and unpaid interest on the stated principal amount so converted through such date. To convert a Note a Holder must (a) complete and sign the conversion notice on the back of the Note, (b) surrender the Note to a Conversion Agent, (c) furnish such appropriate endorsements and transfer documents as may be required by the Registrar or Conversion Agent, and (d) pay any transfer or similar tax that may be required under the Indenture to be paid by the Holder.

9. If at any time (a) the Closing Price is at least equal to the Conversion Closing Price for 20 consecutive Trading Days or (b) the aggregate stated principal amount of Notes then Outstanding, together with the aggregate stated principal amount of Original Notes outstanding, is less than \$12.5 million, then, in either case, the Notes will be convertible into Common Stock at the option of the Company in whole, but not in part, on any Interest Payment Date beginning February 15, 1995. Holders of the Notes Outstanding will be entitled to receive shares of Common Stock at the then-applicable Conversion Rate plus a check in an amount equal to any accrued and unpaid interest on the stated principal amount so converted to the date of such conversion. A written notice of the Company's election to convert the Notes will be

mailed to each Holder of the Notes as provided in Section 14.02 not less than 30 nor more than 60 calendar days prior to the conversion date.

10. No fractional shares or scrip representing fractional shares will be issued upon the conversion of any Note or Notes. If more than one Note is surrendered for conversion at one time by the same Holder, the number of full shares issuable upon conversion thereof will be computed on the basis of the aggregate stated principal amount of the Notes (or specified portions thereof) so surrendered. If the conversion of any Note or Notes results in a fraction, the Company will deliver to such Holder through the Conversion Agent a check in an amount equal to the product of such fraction and the Closing Price on the Trading Day preceding the day of conversion.

11. The issuance of certificates evidencing shares of Common Stock upon the conversion of Notes will be made without charge to the converting Holders of Notes for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates will be issued in the respective names of, or in such names as may be directed by, the Holders of the Notes converted; provided, however, that the Company will not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the Holder of the Notes converted, and the Company will not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof have paid to the Company the amount of such tax or have established to the satisfaction of the Company that such tax has been paid or is not applicable.

12. If an Event of Default with respect to the Notes occurs and is continuing, the Trustee or the Holders of not less than 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding may declare the Notes, all accreted Original Issue Discount thereon, and any accrued and unpaid interest thereon to be due and payable immediately, and upon such declaration all such amounts will become due and payable, in the manner, with the effect, and subject to the conditions provided in the Indenture; provided, however, that in the case of an Event of Default specified in Sections 6.01(g)(i)(2), (ii), or (iii) of the Indenture (relating to insolvency, bankruptcy, and similar matters, but excluding the mere inability of the Company to pay its debts as such debts fall due) all such amounts will automatically become so due and

payable without the necessity of any such declaration. The Indenture provides that the Holders of a majority in aggregate stated principal amount of the Notes then Outstanding may rescind any such declaration other than a declaration resulting from a default in any payment of principal of, interest on, or other amounts payable in respect of, the Notes, in which case the unanimous approval of the Holders of the Notes then Outstanding is required, unless, in certain circumstances, the Company pays or deposits with the Trustee a sum sufficient to pay all matured installments of interest upon all the Notes, the principal of any and all Notes which have become due otherwise than by acceleration, and all other amounts which have become due and owing with respect to the Notes otherwise than by acceleration, with interest (to the extent permitted by applicable law) upon such principal, any such overdue installments of interest, and any such other amounts, at the then-applicable rate, to the date of such payment or deposit, plus certain other amounts specified in the Indenture.

13. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding, to modify or amend the terms of the Notes; provided, however, that no such modification or amendment will (a) lengthen the Stated Maturity of any Note, or reduce the principal amount thereof, or change the rate at which interest accrues, or change any other terms of payment thereof, or (b) amend certain provisions of the Indenture to reduce the aforesaid percentage in aggregate stated principal amount of Notes, the consent of the Holders of which is required to modify or amend the Indenture and the Notes, without the consent of all of the Holders of the Notes; provided further, however, subject to the provisions of Section 316 of the Trust Indenture Act, that for so long as any Original Notes are outstanding pursuant to the Convertible Note Agreement, any amendment or waiver of any provision of the Convertible Note Agreement and any consent to any departure by the Company therefrom, approved by the holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Original Notes then outstanding under the Convertible Note Agreement (determined pursuant thereto) will be deemed to constitute an amendment or waiver of any substantially similar provision of the Indenture or a consent to the departure by the Company therefrom, as the case may be, and to have been approved also by the Holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding, and the Trustee and the Company may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture to give effect to any such

waiver, amendment, or consent to the extent applicable to the terms of the Indenture, the Notes, and the Holders thereof. The Indenture further provides that, without the consent of any Holder of the Notes, agreements or supplemental indentures may be entered into or consents may be granted to, among other things: (a) provide for a successor corporation to the Company, (b) add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred on the Company, (c) add additional Events of Default, and (d) cure any ambiguity or correct or supplement any provision in the Indenture or any supplemental indenture which may be inconsistent.

14. The Indenture provides that the Trustee may call a meeting of Holders of the Notes for any of the purposes and upon the notice specified in the Indenture. In addition, the Company or the Holders of at least 10% in aggregate stated principal amount of the Notes then Outstanding may request the Trustee to call such a meeting and, if the Trustee fails to do so within 20 calendar days after receipt of such request, then the Company or such Holders, as the case may be, may call such meeting upon the notice specified in the Indenture. Persons holding or representing Notes in an aggregate stated principal amount sufficient to take action upon the business for the transaction of which such meeting was called will be necessary to constitute a quorum at a meeting of Holders of Notes, but if less than a quorum is present, the Persons holding or representing a majority of the Notes represented at the meeting may adjourn such meeting.

15. Subject to the requirements of applicable law, any consent or waiver by the Holder of a Note (unless revoked as provided in the Indenture) will be final, conclusive, and binding upon such Holder and upon all future Holders of such Note and any Note which may be issued in substitution or exchange for such Note, irrespective of whether any notation of such consent or waiver is made upon such Note or such other Note.

16. No reference herein to the Indenture and no provision of the Notes or of the Indenture will alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, interest on, and other amounts payable in respect of, the Notes at the times and places, at the rate, and in the coin or currency therein and herein prescribed.

17. The Notes are transferable upon due presentment for registration of transfer at the office or agency maintained by the Company in the Borough of Manhattan, The City and State of New York, duly endorsed by or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar, duly executed by the registered Holder, or by his attorney duly authorized in writing, without charge except for any tax or other governmental charge imposed in relation thereto. Upon such transfer a new Note or Notes of authorized denominations, for a like aggregate principal amount, will be issued to the transferee in exchange therefor.

18. Prior to the due presentment for registration of transfer of a Note, the Company, the Trustee, the Registrar, and any agent of the Company or the Trustee may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note (whether or not such Note is overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment thereof and for all other purposes, and neither the Company nor the Trustee nor any agent of the Company or the Trustee will, to the extent permitted by applicable law, be affected by any notice to the contrary. All such payments so made to any such Holder will be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge all liability for the money payable hereupon.

19. No recourse under or upon any obligation, covenant, or agreement contained in the Indenture, or in the Notes, or for any claim based thereon, or otherwise in respect thereof, will be had against any incorporator, stockholder, officer, director, or employee, as such, past, present, or future, of the Company or of any predecessor or successor entity, either directly or through the Company, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and the Notes are solely corporate obligations, and that no such personal liability whatever will attach to, or is or will be incurred by, the incorporators, stockholders, officers, directors, or employees, as such, of the Company or of any predecessor or successor entity, or any of them, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants, or agreements contained in or implied by the Indenture or the Notes; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer,

director, or employee, as such, because of the creation of the indebtedness represented hereby, or under or by reason of the obligations, covenants, or agreements contained in or implied by the Indenture or the Notes, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issuance of the Notes.

20. The Indenture and each Note will be deemed to be contracts made under the laws of the State of New York and will for all purposes be governed by, and construed in accordance with, the laws of such State, without giving effect to principles of conflict of laws of such State.

D. The form of the Trustee's certificate of authentication to be endorsed on the Notes will be substantially as follows:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
FOR NOTES]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned Indenture.

The First National Bank of
Boston, as Trustee

Authenticated as of
February 15, 1993.

By: _____
Authorized officer

E. The Form of the Holder's Notice of election to convert will be substantially as follows:

[FORM OF NOTICE OF ELECTION TO CONVERT]

NOTICE OF ELECTION TO CONVERT

To: Federated Department Stores, Inc.

The undersigned owner of this Note hereby: (i) irrevocably exercises the option to convert this Note, or the portion of the stated principal amount hereof below designated (which shall be \$1,000 or an integral multiple thereof), into shares of Common Stock of the Company in accordance with the terms of the Indenture referred to in this Note and (ii) directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares and any Note(s) representing any unconverted stated principal amount hereof, be issued in the name of and delivered to the undersigned, unless a different name has been indicated below. If shares or other securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Dated: _____

Signature

Fill in for registration of shares of Common Stock and Notes if to be issued otherwise than to and in the name of the registered holder.

(Name)

(Address)

Social Security or Other
Taxpayer Identifying Number

Please print name and address
(including zip code)

Stated Principal Amount
to be Converted
(if less than all):

\$_____

P. All acts and things necessary to make the Notes, when the Notes have been executed by the Company and authenticated by the Trustee and delivered as provided in this Indenture, the valid, binding, and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution and delivery by the Company of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized; and the Company, in the exercise of legal right and power in it vested, is executing and delivering this Indenture and proposes to make, execute, issue, and deliver the Notes.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

In order to declare the terms and conditions upon which the Notes are authenticated, issued, and delivered, and in consideration of the premises and of the acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Holders from time to time of the Notes, as follows:

ARTICLE ONE

Definitions

SECTION 1.01. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context of this Indenture otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto will have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context of this Indenture otherwise requires), will have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force at the date of this Indenture as originally executed.

Affiliate:

The term "Affiliate" means, with respect to a particular Person, (a) any Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such particular Person or (b) any Person who is a director or officer or general partner (i) of such particular

Person, (ii) of any Subsidiary of such particular Person, or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing.

Authorized Newspaper:

The term "Authorized Newspaper" means The Wall Street Journal or The New York Times or any other newspaper printed in the English language and customarily published at least once a day on each Business Day in each calendar week and of general circulation in New York City, whether or not such newspaper is published on Saturdays, Sundays, and legal holidays.

Bankruptcy Court:

The term "Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of Ohio, Western Division.

Board of Directors:

The term "Board of Directors" means the Board of Directors of the Company or a duly authorized committee of such Board.

Board Resolution:

The term "Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Business Day:

The term "Business Day" means a day of the year on which banks are not required or authorized to close in New York City or Boston, Massachusetts.

Capital Lease Obligations:

The term "Capital Lease Obligations" means, with respect to any Person, the capitalized amount of all

obligations of such Person and its Subsidiaries under Capitalized Leases, as determined on a consolidated basis in conformity with GAAP.

Capitalized Lease:

The term "Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal, or mixed) by such Person or its Subsidiaries as lessee that would be capitalized on a balance sheet of such Person or its Subsidiaries prepared in conformity with GAAP, other than, in the case of such Person or its Subsidiaries, any such lease under which such Person or any of its Subsidiaries is the lessor.

Closing Price:

The term "Closing Price" means, with respect to any particular Trading Day, the last reported per share sales price of shares of Common Stock regular way or, if no reported sale of shares of Common Stock takes place on such Trading Day, the average of the per share closing bid and asked prices for shares of Common Stock regular way for such Trading Day, in each case on the principal national securities exchange on which shares of Common Stock are listed or admitted for trading or, if not so listed or admitted for trading, the average of the per share closing bid and asked prices for shares of Common Stock in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or any comparable system; provided, however, that, in the absence of one or more such quotations, the Board of Directors will determine the Closing Price in good faith on the basis of such quotations as it considers appropriate.

Collateral Trustees:

The term "Collateral Trustees" means the Collateral Trustees under the Shared Collateral Trust Agreement, dated as of February 5, 1992, among the Company, Allied Stores General Real Estate Company, BFC Real Estate Company, The Bon, Inc., the Mortgagors named therein, the Corporate Trustee named therein, and the Individual Trustee named therein, and the Shared Collateral Pledge Agreement, dated as of February 5, 1992, made by each of the Company, Allied Stores General Real Estate Company, BFC Real Estate Company, and The Bon, Inc. to the Corporate Trustee named therein and the Individual Trustee named therein, in each case as such agreements may be amended, supplemented, or otherwise modified from time to time.

Commission:

The term "Commission" means the Securities and Exchange Commission and any other similar successor agency of the Federal government administering the Securities Act.

Common Stock:

The term "Common Stock" means the Common Stock, par value \$0.01 per share, of the Company.

Company:

The term "Company" means Federated Department Stores, Inc., a Delaware corporation, and, subject to the provisions of Article Eleven, also includes any Successor.

Confirmation Order:

The term "Confirmation Order" means the order entered by the Bankruptcy Court confirming the Plan of Reorganization.

Constituent Person:

The term "Constituent Person" has the meaning set forth in Section 14.05.

Conversion Agent:

The term "Conversion Agent" has the meaning set forth in Section 4.08.

Conversion Closing Price:

The term "Conversion Closing Price" means a Closing Price equal to \$42.00; provided, however, that in the event of any change in the Conversion Rate pursuant to Section 14.03 or any change in the kind or amount of shares of stock, other securities, cash, or other property issuable upon conversion of the Notes pursuant to any transaction or event of the type described in Section 14.05, the Conversion Closing Price will be appropriately adjusted to reflect such change.

Conversion Rate:

The term "Conversion Rate" has the meaning set forth in Section 14.01.

Conversion Shares:

The term "Conversion Shares" has the meaning set forth in Section 14.03.

Convertible Note Agreement:

The term "Convertible Note Agreement" means the Senior Convertible Discount Note Agreement, dated as of February 5, 1992, among the Company, the holders of such Convertible Notes listed on the signature pages thereto, Citibank, N.A., as Convertible Note Agent, and The Sumitomo Bank, Limited, New York Branch, as Convertible Note Co-Agent, as such agreement may be amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

Corporate Trust Office of the Trustee:

The term "corporate trust office of the Trustee," or other similar term, means the office of the Trustee at which at any particular time its corporate trust business is principally administered.

Credit Agreement:

The term "Credit Agreement" means the Credit Agreement, dated as of May 20, 1992, among the Company, the lenders listed on the signature pages thereto, Citibank, N.A. as Agent and Mellon Bank, N.A., Societe Generale, New York Branch and Chemical Bank as Co-Agents, as such agreement may be amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

Debt:

The term "Debt" means, as applied to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than the Subsidiary Trade Obligations and property and services purchased, and expense accruals and deferred compensation items arising, in the ordinary course of business), (c) all obligations of such Person evidenced by notes, bonds, debentures, or other similar instruments (other than performance, surety, and appeal bonds arising in the ordinary course of business), (d) all payment obligations of such Person created or arising under any conditional sale, deferred purchase price, or other title retention agreement with respect

to property acquired by such Person (unless the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) any Capital Lease Obligation of such Person, (f) all reimbursement, payment, or similar obligations, contingent or otherwise, under acceptance, letter of credit, or similar facilities (other than letters of credit in support of trade obligations or in connection with public liability insurance, workers' compensation, unemployment insurance, old-age pensions, and other social security benefits in the ordinary course of business other than in respect of employee benefit plans subject to ERISA), (g) any Guaranty of the obligations referred to in clauses (a) through (f) above, and (h) all obligations referred to in clauses (a) through (f) above secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any mortgage on or security interest in property (including without limitation accounts, contract rights, and general intangibles) owned by such Person even though such Person has not assumed or become liable for the payment of such obligations; provided that each Debt of the type referred to in clauses (g) and (h) above will be included within the definition of "Debt" only to the extent of the least of (i) the amount of the underlying Debt referred to in the applicable clause (a) through (f) above, and (ii) in the case of clause (g), the limit on recoveries, if any, under obligations of the type referred to in clause (g) above, and (iii) in the case of clause (h), the aggregate value, determined in good faith by the Board of Directors, of the security for such Debt.

Defaulted Interest:

The term "Defaulted Interest" has the meaning set forth in Section 2.10.

Depository Agreement:

The term "Depository Agreement" means the Depository Agreement, dated as of December 31, 1992, among the Company, Deerfield Funding Corporation, and Chemical Bank, as depositary and issuing agent.

Disclosure Statement:

The term "Disclosure Statement" means that certain Disclosure Statement Pursuant to Section 1125 of the United States Bankruptcy Code of 1978, as amended, for the Third Amended Joint Plan of Reorganization of Federated Department

Stores, Inc., Allied Stores Corporation, and Certain of Their Subsidiaries, approved by order of the Bankruptcy Court dated October 28, 1991, and all exhibits thereto, including all amendments or supplements thereto or to such exhibits.

Distribution Date:

The term "Distribution Date" has the meaning set forth in Section 14.03.

Effective Date:

The term "Effective Date" means February 5, 1992.

Eight-Year Treasury Rate:

The term "Eight-Year Treasury Rate" means, as of any particular date, the sum (rounded to the nearest basis point) of (a) the product of the Seven-Year Treasury Rate and 66-2/3% and (b) the product of the 10-Year Treasury Rate and 33-1/3%. For purposes of this definition, the terms "Seven-Year Treasury Rate" and "10-Year Treasury Rate" mean, respectively, the arithmetic average (rounded to the nearest basis point) of the weekly average per annum yield to maturity values adjusted to constant maturities of seven and 10 years, respectively, for the four full weeks ending on the seventh Business Day prior to the date as of which the Eight-Year Treasury Rate is to be determined (the "Rate Determination Period") as determined from the yield curves of the most actively traded marketable United States Treasury fixed interest rate securities (a) constructed daily by the United States Treasury Department (i) as published by the Federal Reserve Board in its Statistical Release H.15 (519), "Selected Interest Rates," which weekly average yield to maturity values currently are set forth in such Statistical Release under the caption "U.S. Government Securities -- Treasury Constant Maturities -- 7 Year" and U.S. Government Securities -- Treasury Constant Maturities -- 10 Year," respectively, or (ii) if said Statistical Release H.15 (519) is not then published, as published by the Federal Reserve Board in any release selected by the Company and comparable to the Federal Reserve Board's Statistical Release H.15 (519), or (iii) if the Federal Reserve Board is not then publishing a comparable release, as selected by the Company (with the approval of the Trustee, which approval will not unreasonably be withheld) and published in any official publication or release of any other United States Government department or agency, or (b) if the United States Treasury Department is not then constructing such yield curves, then as selected by the

Company (with the approval of the Trustee, which approval will not unreasonably be withheld) and constructed by the Federal Reserve Board or any other United States Government department or agency and published as set forth in (a) above; provided, however, that if either the Seven-Year Treasury Rate or the 10-Year Treasury Rate cannot be determined as provided above, then such Treasury Rate will be the arithmetic average (rounded to the nearest basis point) of the per annum yields to maturity for each Business Day during the Rate Determination Period of all of the issues of actively trading issues of United States Treasury fixed interest rate securities with a maturity of (A) not less than 81 months nor more than 87 months from such Business Day, if the rate which cannot be otherwise determined is the Seven-Year Treasury Rate or (B) not less than 117 months nor more than 123 months from such Business Day, if the rate which cannot be otherwise determined is the 10-Year Treasury Rate, in each such case (I) as published in The Wall Street Journal or (II) if The Wall Street Journal ceases such publication, based on average asked prices (or yields) as quoted by each of three United States Government securities dealers of recognized national standing selected by the Company (with the approval of the Trustee, which approval will not unreasonably be withheld).

Equity Plan:

The term "Equity Plan" means the Executive Equity Incentive Plan referred to in the Disclosure Statement and providing for grants of restricted stock, stock options, and other rights in respect of shares of Common Stock, as the same may be amended, supplemented, or otherwise modified from time to time in any manner, and any replacement or successor plan approved by the stockholders of the Company.

ERISA:

The term "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated and rulings issued thereunder.

Event of Default:

The term "Event of Default" has the meaning set forth in Section 6.01.

Exchange Act:

The term "Exchange Act" means the Securities Exchange Act of 1934 or any similar Federal statute, and the rules and

regulations of the Commission thereunder, as the same may be in effect from time to time.

Federal Funds Rate:

The term "Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Trustee from three federal funds brokers of recognized standing selected by it.

Finance Subsidiary:

The term "Finance Subsidiary" means, individually, Deerfield Funding Corporation, Federated Credit Holdings Corporation, Prime Receivables Corporation, Prime Credit Card Master Trust or any other Subsidiary of the Company the business of which is the purchase or sale of accounts receivable arising in the ordinary course of business, and "Finance Subsidiaries" means all of such corporations.

GAAP:

The term "GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time set forth in the opinions and pronouncements of the Accounting Principles Board and The American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by any successor entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination or, at the election of the Company, generally accepted accounting principles in effect in the United States on the Effective Date. The Company will promptly notify the Trustee in writing of any such election.

Guaranty:

The term "Guaranty" means, as applied to any Person, any direct or indirect obligation of such Person through an agreement (a) to pay or purchase Debt or to advance or supply

funds for the payment or purchase of Debt, (b) to purchase, sell, or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling a debtor to make payment of Debt or to assure the holder of Debt against loss in respect of such Debt, (c) to supply funds to or in any other manner invest in a debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered), or (d) otherwise to assure a creditor against loss in respect of Debt. The amount of any Guaranty is equal to the amount of the obligation guaranteed, but only to the extent of such Guaranty.

Holder:

The term "Note Holder," "Holder of the Notes," or "Holder" means any Person in whose name a particular Note is registered on the Note register kept for that purpose in accordance with the terms hereof.

Indenture:

The term "Indenture" means this Indenture, as this Indenture may be amended, supplemented, or otherwise modified from time to time.

Initial Note:

The term "Initial Note" means an Initial Note as defined in the form of Note included in the recitals to this Indenture.

Interest Accrual Date:

The term "Interest Accrual Date" has the meaning set forth in the form of Note included in the recitals to this Indenture.

Interest Payment Date:

The term "Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes as specified in the Notes.

Interest Rate Contract:

The term "Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate insurance arrangement, or any

other agreement or arrangement designed to provide protection against fluctuations in interest rates.

Issue Price:

The term "Issue Price" has the meaning set forth in the form of Note included in the recitals to this Indenture.

LC Commitments:

The term "LC Commitments" means the aggregate amount of the "Letter of Credit Commitments," as such term is defined in and under the LC Reimbursement Agreement.

LC Facility:

The term "LC Facility" means the letter of credit facility pursuant to the LC Reimbursement Agreement.

LC Reimbursement Agreement:

The term "LC Reimbursement Agreement" means the Series F Letter of Credit and Reimbursement Agreement, dated as of February 5, 1992, among the Company, the financial institutions listed on the signature pages thereto, and the Series F Agent named therein.

Lien:

The term "Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest, or preference, priority, or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any Debt or other obligation, including without limitation any conditional sale, deferred purchase price, or other title retention agreement, the interest of a lessor under a Capital Lease Obligation, any financing lease having substantially the same economic effect as any of the foregoing, and the filing, under the Uniform Commercial Code or comparable law of any jurisdiction, of any financing statement naming the owner of the asset to which such Lien relates as debtor.

Liquidity Agreement:

The term "Liquidity Agreement" means the Liquidity Agreement, dated as of December 31, 1992, among the Company,

Deerfield Funding Corporation, the Banks named therein, and Credit Suisse, New York Branch, as agent for the Banks.

Material Adverse Effect:

The term "Material Adverse Effect" means a material adverse change in the ability of the Company (taken together with its Subsidiaries as a whole) to satisfy its obligations under this Indenture or the Notes, in each case as compared to such ability of the Company (taken together with its Subsidiaries as a whole) as of the Effective Date.

Maturity:

The term "Maturity," when used with respect to any Note, means the date on which the principal of that Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by acceleration, call for prepayment, redemption, or otherwise.

Non-Electing Share:

The term "Non-Electing Share" has the meaning set forth in Section 14.05.

Note:

The term "Note" or "Notes" means any Note or Notes, as the case may be, authenticated and delivered under this Indenture.

Officer's Certificate:

The term "Officer's Certificate" means a certificate executed on behalf of the Company by a Responsible Officer. Each such Officer's Certificate will include the statements provided for in Section 15.05, if and to the extent required by the provisions thereof.

Opinion of Counsel:

The term "Opinion of Counsel" means an opinion in writing signed by legal counsel, who may be an employee of or of counsel to the Company, reasonably acceptable to the Trustee. Each such opinion will include the statements provided for in Section 15.05, if and to the extent required by the provisions thereof.

Original Issue Discount:

The term "Original Issue Discount" with respect to a Note means the difference between the stated principal amount of such Note and the Issue Price.

Original Notes:

The term "Original Notes" means any of the Senior Convertible Discount Notes that are issued under the Convertible Note Agreement.

Outstanding:

The term "Outstanding" means, when used with reference to Notes as of a particular time, all Notes theretofore issued by the Company and authenticated and delivered by the Trustee under this Indenture, except (a) Notes theretofore reported as lost, stolen, damaged, or destroyed, or surrendered for transfer, exchange, or replacement, in respect of which replacement Notes have been issued (except with respect to any such Note as to which proof satisfactory to the Trustee is presented that such Note is held by a bona fide purchaser in whose hand such Note is a valid obligation of the Company), (b) Notes theretofore paid in full or for which payment in full has been duly provided for in accordance with the terms of this Indenture, and (c) Notes theretofore canceled by the Company or delivered to the Trustee for cancellation; provided, however, that, for the purpose of determining whether Holders of the requisite principal amount of the Notes have made or concurred in any waiver, consent, approval, notice, or other communication under this Indenture, Notes actually known to the Trustee to be owned by the Company or any Subsidiary of the Company, or any Affiliate of the Company, will not be deemed to be Outstanding.

Paying Agent:

The term "Paying Agent" has the meaning set forth in Section 4.08.

Permitted Debt:

The term "Permitted Debt" means (a) Debt created under or pursuant to the Plan of Reorganization or existing on the Effective Date and, if material, identified in the Disclosure Statement or on Schedule I or Debt from time to time outstanding under the Credit Agreement, the Depository

Agreement (or any promissory notes issued pursuant thereto), the Liquidity Agreement and the Pooling and Servicing Agreement and any other Debt incurred to refinance or replace any of the foregoing Debt, provided that (i) if, after giving effect to such refinancing or replacement, Debt remains outstanding under the Series A Note Agreement, the issuance of such refinancing or replacement Debt does not constitute an event of default under the Series A Note Agreement or (ii) if no Debt is outstanding under the Series A Note Agreement, after giving effect to such refinancing or replacement, (A) the Board of Directors has determined that the terms of any such refinancing or replacement Debt, taken as a whole, are not materially less favorable to the Company than the terms of the Debt being refinanced or replaced at the time the Debt being refinanced or replaced was incurred after reasonably taking into account changes in prevailing conditions in the capital and credit markets and (B) except as provided in clauses (b) through (i) below, but without duplication, the aggregate outstanding principal amount of the Senior Indebtedness of the Company and its Subsidiaries, on a combined basis, after giving effect to the proposed refinancing or replacement, does not exceed the amount thereof as of the Effective Date (with the aggregate outstanding principal amount of the Original Notes and the Notes for such purpose being the aggregate stated principal amount thereof) plus Debt permitted to be incurred on or after the Effective Date pursuant to any other clause of this definition; (b) Debt among the Company and its Subsidiaries (including without limitation Debt of the Pledged Operating Subsidiaries to the Finance Subsidiaries) incurred in the ordinary course of business, or pursuant to the cash management system of the Company and its Subsidiaries in effect as of the Effective Date or as amended or modified thereafter and applicable in substantially the same manner to all Pledged Operating Subsidiaries; (c) Debt in respect of the deferred purchase price of property, or arising under any conditional sale, deferred purchase price, or other title retention agreement incurred in the ordinary course of the Company's and its Subsidiaries' business substantially as conducted on the Effective Date; (d) Debt arising under Capital Lease Obligations incurred after the Effective Date not to exceed at any one time an aggregate outstanding amount of \$120.0 million; (e) Debt incurred in connection with construction projects; (f) obligations pursuant to Interest Rate Contracts, to the extent such Interest Rate Contracts constitute Debt; (g) Debt incurred for working capital or other general corporate purposes in an amount not to exceed at any one time (i) \$700.0 million, subject to increase from and after the Effective Date at a rate (compounded annually) equal to the greater of (A) 4% and (B)

the aggregate rate of growth of the Pledged Operating Subsidiaries' sales on a comparable store basis for such fiscal year from the preceding fiscal year (the amount of such cumulative increase calculated under this clause (i) as at any date of determination being the "Cumulative Increase"), minus (ii) the aggregate outstanding principal amount of Debt incurred to replace or refinance the Series C Notes, the Series D Notes, and the obligations under the LC Facility and any replacements of or additions to the LC Facility; (h) Debt incurred by any Subsidiary of the Company the principal business of which is the ownership and/or operation of real property; and (i) any other Debt other than that described in clauses (a) through (h) in an aggregate outstanding principal amount not to exceed \$120.0 million. Notwithstanding the foregoing, so long as any Series A Notes are outstanding, any Debt the creation or existence of which does not constitute an event of default under the Series A Note Agreement will constitute Permitted Debt hereunder.

Permitted Liens:

The term "Permitted Liens" means (a) Liens securing Permitted Debt or otherwise permitted by Section 4.02; (b) Liens incurred and pledges and deposits made in the ordinary course of business in connection with liability insurance, workers' compensation, unemployment insurance, old-age pensions, and other social security benefits other than in respect of employee benefit plans subject to ERISA; (c) Liens securing performance, surety, and appeal bonds and other obligations of like nature incurred in the ordinary course of business; (d) Liens on goods and documents securing trade letters of credit; (e) Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's, and vendors' Liens, incurred in the ordinary course of business and securing obligations which are not yet due or which are being contested in good faith by appropriate proceedings; (f) Liens securing the payment of taxes, assessments, and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves will have been established on the books of the appropriate corporation in conformity with GAAP; (g) zoning restrictions, easements, rights of way, reciprocal easement agreements, operating agreements, covenants, conditions, or restrictions on the use of real property that do not materially impair the use of any parcel of property material to the operation of the business or the value of such property for the purpose of such business; (h) Liens on property existing at the time such property is acquired; (i)

purchase money Liens upon or in any property acquired or held in the ordinary course of business to secure Debt incurred solely for the purpose of financing the acquisition of such property; (j) Liens on the assets of the Company's Subsidiaries at the time such Subsidiaries are acquired; (k) Liens securing obligations under the LC Facility or any replacement or additional facilities; (l) Liens securing reimbursement, payment, or similar obligations, contingent or otherwise, for the purpose of enhancing the credit of any Finance Subsidiary; (m) Liens securing other reimbursement, payment, or similar obligations, contingent or otherwise, under letters of credit or similar facilities; and (n) extensions, renewals, and replacements of Liens referred to in clauses (a) through (m) above, provided that any such extension, renewal, or replacement Lien is limited to the property or assets covered by the Lien extended, renewed, or replaced.

Person:

The term "Person" means an individual, partnership, corporation (including without limitation a business trust), joint stock company, trust, unincorporated association, joint venture, or other entity, or a government or any political subdivision or agency thereof.

Plan of Reorganization:

The term "Plan of Reorganization" means the Third Amended Joint Plan of Reorganization of Federated Department Stores, Inc., Allied Stores Corporation, and Certain of Their Subsidiaries, dated October 28, 1991, as filed with the Bankruptcy Court in Consolidated Case No. 1-90-00130, as the same may be amended, supplemented, or otherwise modified from time to time.

Pledged Operating Subsidiaries:

The term "Pledged Operating Subsidiaries" means, collectively, the Subsidiaries of the Company the capital stock of which was or is, on the Effective Date or on any date thereafter, pledged for the benefit of the holders of any POR Debt (other than the Notes and the Original Notes), for so long as each such Subsidiary remains a Subsidiary of the Company.

Pooling and Servicing Agreement:

The term "Pooling and Servicing Agreement" means the Pooling and Servicing Agreement, dated as of December 15, 1992,

among the Company, Prime Receivables Corporation and Chemical Bank, as such agreement may be amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

POR Debt:

The term "POR Debt" means the LC Commitments and the Debt arising out of or evidenced by the Notes, the Original Notes, the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes, and the Series E Notes.

Predecessor Note:

The term "Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by that particular Note; and for purposes of this definition any Note authenticated and delivered under Section 2.07 in lieu of a lost, destroyed, or stolen Note is deemed to evidence the same debt as the lost, destroyed, or stolen Note.

Prepayment Date:

The term "Prepayment Date" means, when used with respect to any Note to be prepaid or redeemed in whole or in part, the date fixed for such prepayment or redemption by or pursuant to this Indenture.

Prepayment Price:

The term "Prepayment Price" means, when used with respect to any Note to be prepaid or redeemed in whole or in part, an amount equal to the principal amount thereof so to be prepaid or redeemed, plus interest and any other amounts payable to or as of the Prepayment Date.

Principal Party:

The term "Principal Party" has the meaning set forth in Section 6.01.

Registrar:

The term "Registrar" has the meaning set forth in Section 4.08.

Regular Record Date:

The term "Regular Record Date" for the interest payable on any Note on any Interest Payment Date means the date specified in the Note as the "Regular Record Date."

Reset Condition:

The term "Reset Condition" means the failure of the Closing Price to equal or exceed the applicable Target Closing Price for 20 consecutive Trading Days in any one of the applicable periods.

Reset Rate:

The term "Reset Rate" means a rate per annum that is 200 basis points higher than the Eight-Year Treasury Rate as of February 15, 1995, or, if lower, 10% per annum.

Responsible Officer:

The term "Responsible Officer" when used (a) with respect to the Company, means the Chairman or any Vice Chairman of the Board of Directors (if an officer), or its Chief Executive Officer, or President, or any financial Executive Vice President or financial Senior Vice President, and (b) with respect to the Trustee, means the Chairman or any Vice Chairman of the Board of Directors (if an officer), the Chairman or any Vice Chairman of the Executive Committee of the board of directors (if an officer), the Chief Executive Officer, or the President, any Vice President, any Second or Assistant Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, any Trust Officer, any Assistant Trust Officer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time are such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

Restricted Junior Payment:

The term "Restricted Junior Payment" means (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of the Company now, or hereafter outstanding, except a dividend payable solely in shares of such class of stock to the holders of such class of stock, (b) any redemption, retirement, sinking fund, or similar

payment, purchase, or other acquisition for value, direct or indirect, of any shares of any class of stock of the Company now or hereafter outstanding, and (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options, or other rights to acquire shares of any class of stock of the Company now or hereafter outstanding.

Rights:

The term "Rights" has the meaning set forth in Section 14.03.

Securities Act:

The term "Securities Act" means the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Commission thereunder, as the same may be in effect from time to time.

Senior Indebtedness:

The term "Senior Indebtedness" means, collectively, with respect to the Company (a) all POR Debt other than the LC Commitments, (b) all Capital Lease Obligations of the Company or any of its Subsidiaries, other than the Finance Subsidiaries, and (c) any additional Debt of the Company or any of its Subsidiaries, other than the Finance Subsidiaries, for borrowed money which is either secured or not subordinated to the payment of the Notes.

Series A Note Agreement:

The term "Series A Note Agreement" means the Series A Note Agreement, dated as of February 5, 1992, among the Company, the holders of the Series A Notes listed on the signature page thereto, Citibank, N.A., as Series A Agent, and The Sumitomo Bank, Limited, New York Branch, as Series A Co-Agent, as such agreement may be amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

Series A Notes:

The term "Series A Notes" means any of the notes issued under the Series A Note Agreement.

Series B Notes:

The term "Series B Notes" means any of the notes issued under the 10% Series B Secured Note Indenture, dated as of February 5, 1992, between the Company and the Trustee thereunder, as such indenture may be amended, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

Series C Notes:

The term "Series C Notes" means any of the notes issued under the Series C Note Agreement, dated as of February 5, 1992, among the Company, the holders of the Series C Notes listed on the signature pages thereto, Citibank, N.A., as Series C Agent, and The Sumitomo Bank, Limited, New York Branch, as Series C Co-Agent.

Series D Notes:

The term "Series D Notes" means any of the notes issued under the Series D Note Indenture, dated as of February 5, 1992, between the Company and the Trustee thereunder.

Series E Notes:

The term "Series E Notes" means any of the notes issued under the Series E Note Agreement, dated as of February 5, 1992, among the Company, the holders of the Series E Notes listed on the signature pages thereto, and Citibank, N.A., as Series E Agent.

Share Purchase Rights Agreement:

The term "Share Purchase Rights Agreement" means the Rights Agreement, dated as of February 5, 1992, entered into by and between the Company and the Rights Agent thereunder pursuant to the Plan of Reorganization, as such agreement may be amended, supplemented, or otherwise modified from time to time, in accordance with the terms thereof, and any replacement or successor agreement approved by the Board of Directors.

Significant Subsidiary:

The term "Significant Subsidiary" has the meaning set forth in Rule 1-02 of Regulation S-X of the Commission.

Special Record Date:

The term "Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 2.10.

Stated Maturity:

The term "Stated Maturity," when used with respect to any Note, any installment of interest thereon, or any other amount payable under this Indenture or the Notes, means the date specified in this Indenture as the regularly scheduled date on which the principal of such Note, such installment of interest, or such other amount, is due and payable.

Subsidiary:

The term "Subsidiary" means, as applied with respect to any Person, any corporation, partnership, or other business entity of which, in the case of a corporation, more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation has or might have voting power upon the occurrence of any contingency), or, in the case of any partnership or other legal entity, more than 50% of the ordinary equity capital interests, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries, or by one or more of such Person's other Subsidiaries.

Subsidiary Trade Obligations:

The term "Subsidiary Trade Obligations" has the meaning set forth in the Disclosure Statement.

Substitute Note:

The term "Substitute Note" has the meaning set forth in Section 2.07.

Successor:

The term "Successor" has the meaning set forth in Section 11.01.

Target Closing Price:

The term "Target Closing Price" means (a) during the period from February 15, 1992 through February 14, 1993, a Closing Price equal to \$30.00, (b) during the period from February 15, 1993 through February 14, 1994, a Closing Price equal to \$32.00, and (c) during the period from February 15, 1994 through February 14, 1995, a Closing Price equal to \$35.00; provided, however, that in the event of any change in the Conversion Rate pursuant to Section 14.03 or any change in the kind or amount of shares of stock, other securities, cash, or other property issuable upon conversion of the Notes pursuant to any transaction or event of the type described in Section 14.05, the Target Closing Price will be appropriately adjusted to reflect such change.

Trading Day:

The term "Trading Day" means a Business Day on which the shares of Common Stock are traded on the principal national securities exchange on which the shares of Common Stock are listed or admitted for trading or, if the shares of Common Stock are not so listed or admitted for trading, in the over-the-counter market.

Trustee:

The term "Trustee" means The First National Bank of Boston in its capacity as Trustee hereunder, and, subject to the provisions of Article Seven, will also include its successors and assigns as Trustee hereunder.

Trust Indenture Act:

The term "Trust Indenture Act" (except as herein otherwise expressly provided) means the Trust Indenture Act of 1939, as amended, as in force at the date of this Indenture as originally executed.

U.S. Legal Tender:

The term "U.S. Legal Tender" has the meaning set forth in the form of Note included in the recitals to this Indenture.

ARTICLE TWO

The Notes

SECTION 2.01. The Notes will be designated as the "Senior Convertible Discount Notes Due February 15, 2004." Except as provided in Section 2.07, the aggregate stated principal amount of Notes authorized by this Indenture to be Outstanding is limited to \$307,397,000. Upon the execution of this Indenture, or from time to time thereafter, Notes having an aggregate stated principal amount up to such authorized amount may be executed by the Company and delivered to the Trustee for authentication and the Trustee will thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its Chairman or any Vice Chairman of the Board of Directors, or its Chief Executive Officer or President, or one of its Vice Presidents and attested by its Treasurer, or its Secretary, or one of its Assistant Treasurers or Assistant Secretaries, without any further action by the Company.

The Notes hereunder are being issued pursuant to Section 6.5 of the Convertible Note Agreement, which provides for Notes to be so issued in exchange for Original Notes to holders of Original Notes who elect to exchange their Original Notes for Notes. As a condition precedent to the receipt of an Initial Note hereunder, each holder of Original Notes electing so to exchange Original Notes for Notes must surrender to the Company for cancellation all of the Original Notes held by such holder. Accordingly, Initial Notes may be issued on different dates commencing on the date hereof. No Note will be deemed Outstanding for purposes of exercising voting rights or similar rights of a Holder pursuant to this Indenture, unless and until it or a Predecessor Note that is an Initial Note has been issued in compliance with the conditions of issuance set forth herein. Receipt by the Trustee of an authentication order from the Company will be sufficient evidence of compliance with such conditions. Each holder of Original Notes who elects to exchange such Original Notes for Notes as herein provided will receive a Note or Notes in denominations of \$1,000 or integral multiples of \$1,000 equal to the aggregate stated principal amount of Original Notes so exchanged; provided, that, if such aggregate stated principal amount is not evenly divisible by \$1,000, then the Company will deliver to the exchanging holder of Original Notes in respect of the remaining stated principal amount that is less than \$1,000 a check in an amount equal to the Issue Price (as such term is defined in the Convertible Note Agreement) thereof plus accreted Original Issue Discount

(as such term is defined in the Convertible Note Agreement) and accrued and unpaid interest, if any, thereon through the date of the exchange. No service charge will be made in connection with any issuance of Initial Notes, but as a condition of the issuance thereof the Company will require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any such issuance.

SECTION 2.02. The Notes and the Trustee's certificate of authentication to be borne by the Notes will be substantially in the form set forth in the recitals to this Indenture, and may have such letters, numbers, or other marks of identification or designation, and such legends or endorsements printed, lithographed, or engraved thereon as the Company may deem appropriate, and in form reasonably acceptable to the Trustee, and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Notes may be listed, or to conform to usage, all as may be determined by the officers executing such Notes, as evidenced by the signatures of such officers thereon.

SECTION 2.03. The Notes will be issuable as registered Notes without coupons in denominations of \$1,000 and integral multiples of \$1,000.

Every Note will be authenticated as of February 15, 1993 and will be dated and issued as of the date on which the Original Note or Original Notes in exchange for which such Note is issued are accepted by the Company for cancellation.

From February 15, 1993 to February 15, 1995, the Notes will accrete Original Issue Discount at the rate of 6.0% per annum, compounded semiannually on each February 15 and August 15. All computations of accredited Original Issue Discount will be made on the basis of a 360-day year consisting of twelve 30-day months. The Issue Price of the Notes is \$888.48 per \$1,000 stated principal amount of Notes.

The Notes will accrue interest commencing on the respective applicable Interest Accrual Dates specified in the form of Note set forth in the recitals to this Indenture. All computations of interest will be made on the basis of a 360-day year consisting of twelve 30-day months. On any Interest Payment Date, interest with respect to such Interest Payment Date on a Note will be payable from the applicable Interest Accrual Date, or, if later, from the most recent Interest Payment Date to which such interest has been paid or duly

provided for; provided, that, in the case of a Note issued upon registration of transfer of or in exchange for a Predecessor Note after a Regular Record Date and prior to the next succeeding Interest Payment Date, no interest will be payable on such Note on such next succeeding Interest Payment Date unless the Company defaults in the payment of interest due to the Holder of the Predecessor Note on such Interest Payment Date, in which case such interest will be payable to the Holder of record on the Special Record Date for such payment, as provided this Indenture.

Except as otherwise provided in this paragraph, the Person in whose name any Note is registered at the close of business on any Regular Record Date with respect to any Interest Payment Date will be entitled to receive the interest payable on such Interest Payment Date. In the case of Initial Notes issued after a Regular Record Date and prior to or on the next succeeding Interest Payment Date, interest will be paid on such Interest Payment Date to the Person in whose name such Note is initially registered. In the case of Initial Notes issued on an Interest Payment Date, no interest will be paid on such Interest Payment Date. In the case of a Note issued upon registration of transfer of or in exchange for a Predecessor Note after a Regular Record Date and prior to the next succeeding Interest Payment Date, interest will be paid on such Interest Payment Date to the Person in whose name the Predecessor Notes was registered as of such Regular Record Date, notwithstanding the cancellation of such Note upon any registration of transfer or exchange thereof subsequent to the Regular Record Date and prior to such Interest Payment Date, except if and to the extent the Company defaults in the payment of the interest due on such Interest Payment Date, in which case such Defaulted Interest will be paid as provided in the preceding paragraph and pursuant to the terms of Section 2.10; provided, however, that the interest payable at Maturity will be payable to the Person to whom principal is payable.

SECTION 2.04. The Notes will be signed on behalf of the Company by its Chairman or any Vice Chairman of the Board of Directors, or its Chief Executive Officer, or its President, or one of its Vice Presidents and attested by its Treasurer, or its Secretary, or one of its Assistant Treasurers, or one of its Assistant Secretaries under its corporate seal. Such signatures upon the Notes may be the manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Notes. The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted, or otherwise reproduced on the Notes.

Only such Notes bearing a certificate of authentication substantially in the form above, signed manually by the Trustee, will be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such execution of the certificate of authentication by the Trustee upon any Notes executed by the Company will be conclusive evidence that the Notes so authenticated have been duly authenticated and delivered hereunder.

In case any officer of the Company who signed any of the Notes ceases to be such officer before the Notes so signed have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the person who signed such Notes had not ceased to be such officer of the Company; and any Note may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Note, are the proper officers of the Company, although at the date of such Note or of the execution of this Indenture any such person was not such officer.

SECTION 2.05. The Company will keep, at the office or agency to be maintained by the Company in accordance with the provisions of Section 4.08, a register, in which the Company will register Notes and will register the transfer of Notes, subject to such reasonable regulations as it may prescribe, as provided in this Article Two. At all reasonable times such register will be open for inspection by the Trustee. Upon due presentment for registration of transfer of any Note at such office or agency, the Company will execute and the Trustee will authenticate and deliver in the name of the transferee or transferees one or more new Notes of any authorized denominations for a like aggregate stated principal amount.

Unless and until otherwise determined by the Company, a register of the Company, for the purpose of registration, exchange, or registration of transfer of the Notes will be kept at the corporate trust office of the Trustee and, for this purpose, the Trustee will be initially designated as Registrar.

All Notes presented or surrendered for registration of transfer, exchange, prepayment, redemption, or payment will (if so required by the Company or the Trustee) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in form reasonably satisfactory to the Company and the Trustee, duly executed by the registered Holder or his attorney duly authorized in writing.

No service charge will be made for any exchange or registration of transfer of Notes, but the Company will require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with such exchange or transfer.

The Company will not be required (a) to issue, register the transfer of, or exchange any Notes for a period of 15 calendar days next preceding the mailing of any notice of prepayment or redemption of Notes to be prepaid or redeemed, or (b) to register the transfer of or exchange any Notes selected, called, or being called for prepayment or redemption in whole or in part, except, in the case of any Notes to be prepaid or redeemed in part, the portion thereof not being prepaid or redeemed.

All Notes issued upon any transfer or exchange of Notes will be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such transfer or exchange.

SECTION 2.06. Pending the preparation of definitive Notes, the Company may execute and register and the Trustee will authenticate and deliver temporary Notes (printed, lithographed, or typewritten), of any authorized denomination, and substantially in the form of the definitive Notes but with such omissions, insertions, and variations as may be appropriate for temporary Notes, all as may be determined by the Company as evidenced by the execution thereof; provided, however, that the Company will use reasonable efforts to have definitive Notes available at the times of any issuance of Notes under this Indenture. Every temporary Note will be executed and registered by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Notes. The Company will execute and register and furnish definitive Notes as soon as practicable and thereupon any or all temporary Notes may be surrendered in exchange therefor at the corporate trust office of the Trustee, and the Trustee will authenticate and deliver in exchange for such temporary Notes a like aggregate stated principal amount of definitive Notes. Such exchange will be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes will be entitled to the same benefits under this Indenture as definitive Notes authenticated and delivered hereunder.

SECTION 2.07. In case any temporary or definitive Note becomes mutilated or destroyed, lost, or stolen, the Company will, subject to the following provisions of this Section 2.07, execute and register, and upon its written request the Trustee will authenticate and deliver, a new Note having the same stated principal amount and bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated Note, or in lieu of and substitution for the Note so destroyed, lost, or stolen (each a "Substitute Note"). In every case the applicant for a Substitute Note will furnish to the Company and to the Trustee and any Paying Agent, Conversion Agent, and Registrar such security or indemnity as may be required by them to save each of them harmless from all risk, however remote, and, in every case of destruction, loss, or theft, the applicant will also furnish to the Company and to the Trustee and any Paying Agent, Conversion Agent, and Registrar evidence to their reasonable satisfaction of the destruction, loss, or theft of such Note and of the ownership thereof. The Trustee will, subject to the following provisions of this Section 2.07, authenticate any such Substitute Note and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any Substitute Note, the Company will require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Note which has matured or is about to mature or which has been called for prepayment or redemption becomes mutilated or destroyed, lost, or stolen, the Company may instead of issuing a Substitute Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note) if the applicant for such payment furnishes the Company, the Trustee, and any Paying Agent with such security or indemnity as may be required by any of them to save each of them harmless from all risks, however remote, and, in case of destruction, loss, or theft, evidence to the reasonable satisfaction of the Company, the Trustee, and any Paying Agent of the destruction, loss, or theft of such Note and of the ownership thereof.

Every Substitute Note issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Note is destroyed, lost, or stolen will constitute an additional contractual obligation of the Company whether or not the destroyed, lost, or stolen Note may be found at any time, and will be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder. All Notes will be held and owned upon the express condition that the foregoing provisions are exclusive

with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Notes, and will preclude (to the extent lawful) any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.08. All Notes surrendered for payment, prepayment, redemption, registration of transfer, or exchange will, if surrendered to any Person other than the Trustee, be delivered to the Trustee for cancellation by it or, if surrendered to the Trustee, will be canceled by it and all Notes delivered to the Trustee in discharge or satisfaction in whole or in part of any mandatory prepayment or redemption will be canceled by the Trustee, and no Notes will be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee will destroy canceled Notes and deliver a certificate of destruction to the Company unless otherwise directed in writing by the Company. If the Company acquires any of the Notes, however, such acquisition will not operate as a satisfaction of the indebtedness represented by such Notes unless and until the same are delivered or surrendered to the Trustee for cancellation.

SECTION 2.09. Nothing in this Indenture or in the Notes, expressed or implied, gives or will be construed to give to any Person, other than the parties hereto and any Paying Agent, any Conversion Agent, any Registrar, and the Holders of the Notes, any legal or equitable right, remedy, or claim under or in respect of this Indenture, or under any covenant, condition, or provision herein contained; all its covenants, conditions, and provisions being for the sole benefit of the parties hereto and any Paying Agent, any Conversion Agent, any Registrar, and the Holders of the Notes.

SECTION 2.10. Any interest on any Outstanding Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") will forthwith cease to be payable to the registered Holder to whom such interest would otherwise be payable as provided in Section 2.03; and such Defaulted Interest will be paid by the Company, at its election in each case, as provided in either subsection (a) or (b):

(a) If the Company elects to make payment under this subsection (a), the Company will pay any Defaulted Interest and (to the extent permitted by applicable law) interest on such Defaulted Interest at the then-applicable rate from the Interest Payment Date or Dates on which such Defaulted Interest was due until payment thereof to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a subsequent record date (the "Special Record Date") for the payment of such Defaulted Interest, which will be fixed in the following manner. The Company will notify the Trustee in writing of the amount of Defaulted Interest and any interest on such Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company will deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest and any interest on such Defaulted Interest or will make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this clause. Thereupon the Trustee will fix a Special Record Date for the payment of such Defaulted Interest and any interest on such Defaulted Interest which will not be more than 15 calendar days and not less than 10 calendar days prior to the date of the proposed payment of such interest and not less than 10 calendar days after the receipt by the Trustee of the notice of the proposed payment. The Trustee will promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, will cause notice of the proposed payment of such Defaulted Interest and any interest on such Defaulted Interest and the Special Record Date therefor to be mailed, first-class, postage prepaid, to each Holder of the Notes at his address as it appears in the Note register not less than 10 calendar days prior to such Special Record Date. Notice of such proposed payment and the Special Record Date therefor having been mailed as set forth above, such Defaulted Interest and any interest on such Defaulted Interest will be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered on such Special Record Date and will no longer be payable pursuant to the following subsection (b).

(b) If the Company elects to make payment under this subsection (b), the Company will pay any Defaulted Interest and any interest on such Defaulted Interest on the Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee of the proposed payment pursuant to this Section 2.10, such payment is deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.10 and to the provisions of Section 2.03, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note will carry the rights to Original Issue Discount accreted and unpaid, and to accrete, and interest accrued and unpaid, and to accrue, which were carried by such other Note.

ARTICLE THREE

Prepayment, Redemption, and Purchase of Notes

SECTION 3.01. Subject to Section 4.04, the Company may, at any time on or after February 15, 1995, at its option, upon notice given as provided in Section 3.02, prepay or redeem the Notes, in whole or in part, at a price equal to 100% of the stated principal amount thereof, plus accrued and unpaid interest, if any, to the date of prepayment or redemption. Any such prepayment or redemption must be applied ratably to the prepayment or redemption of the Original Notes and the Notes. The Company may not rescind any election to prepay or redeem the Notes at any time after notice of such prepayment or redemption has been mailed to Holders of the Notes as provided in Section 3.02.

If any Note selected for partial prepayment or redemption is converted in part before termination of the conversion right with respect to the portion of the Note so selected, the converted portion of such Note will be deemed (so far as may be) to be the portion selected for prepayment or redemption. Notes which have been converted during a selection of Notes to be prepaid or redeemed will be treated by the Trustee as Outstanding for the purpose of such selection.

SECTION 3.02. (a) In case the Company desires to exercise its right under Section 3.01 to prepay or redeem all, or, as the case may be, part of the Notes, and in the case of

prepayments or redemptions pursuant to Section 3.03, the Company will fix a Prepayment Date and the Company (with notice to the Trustee), or, at the Company's request, the Trustee, in the name of and at the expense of the Company, will give notice of such prepayment or redemption to the Holders of the Notes to be prepaid or redeemed in whole or in part by mailing a notice of such prepayment or redemption (by first-class mail, postage prepaid) not less than 30 nor more than 90 calendar days prior to the Prepayment Date to their last addresses as they appear upon the Note register. Any notice which is mailed in the manner herein provided will be conclusively presumed to have been duly given, whether or not the Holder receives the notice. In any case, failure duly to give notice by mail, or any defect in the notice, to the Holder of any Note will not affect the validity of the proceedings for the prepayment or redemption of any other Note.

(b) Each such notice of prepayment or redemption will specify the Prepayment Date and the Prepayment Price at which Notes are to be prepaid or redeemed, and will state that payment of the Prepayment Price of the Notes or portions thereof to be prepaid or redeemed will be made by the Paying Agent, upon presentation and surrender of Notes to the office of the Paying Agent, that interest accrued to, and other amounts then due and payable on, the Prepayment Date will be paid as specified in said notice, that on and after said date interest thereon or on the portions thereof to be prepaid or redeemed will cease to accrue, and that Notes called for prepayment or redemption may be converted at any time before the close of business on the fifth Business Day prior to the Prepayment Date. If less than all the Notes are to be prepaid or redeemed, the notice to the Holders of the Notes to be prepaid or redeemed will specify or describe the Notes to be prepaid or redeemed as determined by the Trustee in accordance with subsection (c). In case any Note is to be prepaid or redeemed in part only, the notice which relates to such Note will state or describe the portion of the stated principal amount thereof to be prepaid or redeemed, and will state that on and after the Prepayment Date, upon surrender of such Note, a new Note or Notes in stated principal amount equal to the portion thereof not prepaid or redeemed will be issued.

(c) If less than all the Notes are to be prepaid or redeemed, the Company will give the Trustee notice, at least 40 calendar days (or such shorter period acceptable to the Trustee) in advance of the Prepayment Date, as to the aggregate principal amount of Notes to be prepaid or redeemed, which will be an integral multiple of \$1,000, and thereupon the Trustee

will select, as nearly ratably as practicable and in compliance with applicable legal requirements, the Notes to be prepaid or redeemed, in whole or in part, and will thereafter promptly notify the Company in writing of the numbers of the Notes so to be prepaid or redeemed and, in the case of Notes to be prepaid or redeemed in part only, the stated principal amount thereof so to be prepaid or redeemed. In making such selection, the Trustee may make such adjustments, reallocations, and eliminations as it deems proper so that the stated principal amount of Notes to be prepaid or redeemed will be \$1,000 or an integral multiple thereof, by increasing or decreasing or eliminating the amount that would be allocable to any Holder on the basis of exact proportion by an amount not exceeding \$1,000. The Trustee will make the selection from those Outstanding Notes not previously called for prepayment or redemption and not to be made the basis for the reduction of the prepayment or redemption in question. The Trustee may select for prepayment or redemption portions of the principal of Notes that have denominations larger than \$1,000. Notes and portions thereof selected by the Trustee will be in amounts of \$1,000 or an integral multiple thereof.

(d) Prior to each Prepayment Date specified in the notice of prepayment or redemption given as provided in this Section 3.02, the Company will deposit with the Trustee or with one or more Paying Agents (or, if the Company is acting as its own Paying Agent, separate and hold in trust as provided in Section 4.14(b)) an amount of money sufficient to prepay or redeem on such Prepayment Date all the Notes or portions thereof so called for prepayment or redemption at the appropriate Prepayment Price, less an amount creditable against such amount based on Notes previously prepaid, redeemed, purchased, or otherwise acquired or Notes previously converted into Common Stock as provided herein.

SECTION 3.03. Subject to the remaining provisions of this Section 3.03, on each of February 15, 2002 and February 15, 2003, the Company will apply an amount equal to 33.3 $\frac{1}{3}$ of the aggregate stated principal amount of the Original Notes originally outstanding ratably to the prepayment or redemption of the Original Notes and the Notes at 100% of the stated principal amount so prepaid or redeemed, without premium, together with interest accrued and unpaid on the stated principal amount so prepaid or redeemed to the date of prepayment or redemption. Such prepayment or redemption of the Notes will be made in accordance with Section 3.02. The entire remaining unpaid stated principal amount of the Notes, together with interest accrued and unpaid to the date of payment, will

be paid on February 15, 2004. Partial prepayments or redemptions of the Original Notes and Notes made in cash in accordance with Section 2.4 of the Convertible Note Agreement and Section 3.01 of this Indenture, respectively, will reduce, in direct order of maturity, one or more of the prepayments or redemptions due under Section 2.3 of the Convertible Note Agreement and under this Section 3.03, respectively, by an amount equal to the aggregate stated principal amount of the Original Notes and Notes so prepaid. In addition, (i) the aggregate stated principal amount of any Original Notes or Notes redeemed, purchased, or otherwise acquired by the Company (other than Original Notes acquired by the Company in exchange for Notes pursuant to Section 6.5 of the Convertible Note Agreement), and (ii) the aggregate stated principal amount of any Original Notes or Notes converted into Common Stock, may be applied to reduce the Company's prepayment or redemption obligations under this Section 3.03 in direct order of maturity; provided, that such application may be made only toward the prepayment or redemption of Notes, and not of Original Notes. Notes which have been converted during a selection of Notes to be prepaid or redeemed will be treated by the Trustee as Outstanding for the purpose of such selection.

SECTION 3.04. If the notice of prepayment or redemption has been mailed as provided in Section 3.02, the Notes or portions of Notes as specified in such notice will become due and payable on the date and at the place stated in such notice at the Prepayment Price and on and after such Prepayment Date (unless the Company defaults in the payment of such Notes at the Prepayment Price), interest on the Notes or portions of Notes so called for prepayment or redemption will cease to accrue, and the Holders thereof will have no other rights as such (except the rights to receive the Prepayment Price upon surrender of the Notes). On presentation and surrender of such Notes to the office of the Paying Agent in said notice specified, said Notes or the specified portions thereof will be prepaid or redeemed by the Company at the Prepayment Price; provided, however, that semiannual installments of interest becoming due on or prior to the Prepayment Date will be payable to the Holders of such Notes, or one or more Predecessor Notes evidencing all or a portion of the same debt as that evidenced by such particular Notes, according to their terms and the provisions of Section 2.03.

Upon presentation or surrender of any Note that is prepaid or redeemed in part only, the Company will execute and register and the Trustee will authenticate and deliver to the

Holder of the Note, at the expense of the Company, a new Note or Notes in stated principal amount equal to the portion of the Note so presented and surrendered and not prepaid or redeemed.

SECTION 3.05. All Notes surrendered to the Trustee pursuant to the provisions of this Article Three, will be forthwith canceled by it.

SECTION 3.06. The Company or any Subsidiary of the Company may at any time purchase or otherwise acquire any Original Note or Note. Any Original Note or Note so purchased or acquired by the Company or any Subsidiary of the Company may be applied toward payment of the obligations of the Company with respect to Notes under Sections 3.01 or 3.03 to the extent provided therein.

ARTICLE FOUR

Particular Covenants of the Company

SECTION 4.01. Except as otherwise permitted under Article Eleven, the Company will not permit any of its Subsidiaries to consolidate with or merge with any other Person, or permit any other Person, other than another Subsidiary, to consolidate or merge with any of its Subsidiaries; provided, that any Subsidiary of the Company may consolidate or merge with any other person, if such consolidation or merger does not constitute an Event of Default under the Series A Note Agreement or with the consent of at least 51% in interest of the holders of the Series A Notes; provided, further, that at such time as there are no Series A Notes outstanding, any Subsidiary may consolidate or merge with any other Person unless the Board of Directors determines (which determination will be final, conclusive, and binding) that such consolidation or merger will have a Material Adverse Effect. Notwithstanding anything contained in this Indenture to the contrary, the Company and each of its Subsidiaries may also effect each of the other mergers, consolidations, and dissolutions authorized pursuant to the Confirmation Order.

SECTION 4.02. The Company will not, and will cause each of its Subsidiaries not to, create or permit to exist any Liens upon any of its or their respective assets, other than Liens in favor of the Collateral Trustees, Liens on inventory securing working capital or similar financing facilities, and Permitted Liens.

SECTION 4.03. The Company will not, and will cause each of its Subsidiaries not to, make any Restricted Junior Payments (other than (a) payments under the Equity Plan, (b) payments in respect of the redemption of outstanding share purchase rights under the Share Purchase Rights Agreement at not more than the redemption price set forth therein on the Effective Date, (c) payments by any wholly owned Subsidiary to the Company or to any other wholly owned Subsidiary, and (d) payments in redemption of, or payments of dividends in cash, shares of capital stock, or other property on, any class or series of preferred stock of the Company, in accordance with the terms of such preferred stock; provided that (i) such preferred stock will not be issued with voting rights per share that are substantially disproportionately greater than the voting rights per share of the Company's common stock, based upon the relative amounts of stockholders' equity (determined in conformity with GAAP) allocable to each outstanding share of such preferred stock compared to the amount of such stockholders' equity allocable to each outstanding share of common stock immediately after giving effect to such issuance of preferred stock, (ii) such issuance, redemption, and payment of dividends do not constitute events of default under the Series A Note Agreement, or an Event of Default under this Indenture by virtue of violation of any provision of this Indenture other than this Section 4.03(d)(ii), and (iii) such preferred stock will be deemed to constitute "Debt incurred for working capital or other general corporate purposes" within the meaning of the definition of Permitted Debt in an amount equal to the aggregate stated liquidation preference of all such preferred stock), if at the time the Company proposes to make any such Restricted Junior Payment: (x) an Event of Default or any event which, after the giving of notice or the lapse of time or both, would become an Event of Default, has occurred and is continuing (or would result therefrom) or (y) the amount of such proposed Restricted Junior Payment (the amount, if other than cash, to be determined by the Board of Directors of the Company, which determination, unless made in bad faith or in violation of the Company's covenant in Section 4.05, will be final, conclusive, and binding and evidenced by a Board Resolution filed with the Trustee at the time such Restricted Junior Payment is made) when added to the aggregate amount of all other Restricted Junior Payments made since the Effective Date would exceed the sum of: (i) \$503,700,000, (ii) 75% of the consolidated net income of the Company determined in conformity with GAAP accrued during the period (treated as one accounting period) from February 2, 1992 to the last day of the fiscal quarter immediately preceding the date such Restricted Junior Payment is made (or in case such cumulative consolidated

net income is a deficit, minus 100% of such deficit), (iii) the aggregate net proceeds, including the fair value (as determined at the time by the Board of Directors, which determination, unless made in bad faith or in violation of the Company's covenant in Section 4.05, will be final, conclusive, and binding), of property other than cash, received by the Company from the issue or sale of its capital stock (other than to a Subsidiary) subsequent to the date of this Indenture and on or prior to the date such Restricted Junior Payment is made, and (iv) the aggregate stated principal amount of any convertible or exchangeable indebtedness of the Company that is converted into or exchanged (other than by a Subsidiary of the Company) for capital stock of the Company subsequent to the Effective Date and on or prior to the date such Restricted Junior Payment is made.

SECTION 4.04. The Company will not, and will cause each of its Subsidiaries not to, voluntarily prepay, redeem, purchase, or defease any Debt in excess of \$10.0 million per fiscal year, other than (a) by way of replacements or refinancings of any Debt created under or pursuant to the Plan of Reorganization or existing on the Effective Date or permitted under this Indenture, (b) any conversion or exchange of any class or series of debt securities of the Company or any Subsidiary into any class or series of equity securities of the Company or any Subsidiary, (c) voluntary payments or prepayments of any amount, whether principal, interest, fees, or otherwise, of POR Debt with the proceeds of any Debt incurred after the Effective Date, and (d) other voluntary prepayments of any POR Debt. Notwithstanding anything contained in this Indenture to the contrary, the Company and each of its Subsidiaries may make payments or prepayments of any amount, whether for principal, interest, fees, or otherwise, with respect to the Subsidiary Trade Obligations; provided, that such payments or prepayments are mandatory under the instruments governing the terms of the Subsidiary Trade Obligations.

SECTION 4.05. The Company will not, and will cause each of its Subsidiaries not to, enter into transactions with Affiliates other than (a) transactions (including without limitation lease transactions entered into after the Effective Date) in the ordinary course of business, substantially as conducted on the Effective Date and (i) on an arm's-length basis or (ii) otherwise determined by the Board of Directors to be fair and not detrimental to the Company or any of the Pledged Operating Subsidiaries (which determination, unless made in bad faith, will be final, conclusive, and binding) and

(b) without limiting the generality or effect of the foregoing, (i) sales of accounts receivable to one or more Finance Subsidiaries, (ii) transfers of assets or the provision of services between the Company and its Subsidiaries, or between Subsidiaries of the Company, in the ordinary course of business, substantially as conducted on the Effective Date, and (iii) matters relating to the cash and other compensation of and benefits provided to any officer or director of the Company or any of its Subsidiaries approved by the Board of Directors (excluding any employee-directors) or the Compensation Committee thereof; provided, however, that nothing herein will prohibit the Company or any Subsidiary from entering into any transactions, agreements, or arrangements that are not in contravention of any other covenant of the Company in this Indenture, if entered into for the purpose of consolidating or centralizing the operations of the Company and its Subsidiaries, unless the Board of Directors determines (which determination, unless made in bad faith, will be final, conclusive, and binding) that any such transaction, agreement, and or arrangement will have a Material Adverse Effect.

SECTION 4.06. The Company will, and will cause each of its Subsidiaries to, comply with all applicable federal, state, local, or foreign laws, rules, regulations, or ordinances, including without limitation such laws, rules, regulations, or ordinances relating to pension, environmental, employee, and tax matters, in each case to the extent that the failure so to comply would have a Material Adverse Effect.

SECTION 4.07. The Company will duly and punctually pay or cause to be paid the principal of, interest on, and other amounts payable in respect of, the Notes in accordance with the terms of the Notes and this Indenture. Each installment of interest on the Notes may at the Company's option be paid by mailing, first class postage prepaid, on or before the due date, checks for such interest payable to or upon the written order of the person entitled thereto pursuant to Section 2.03 or Section 2.10, as applicable, hereof to the address of such person as it appears on the Note register. Whenever the Company has a Paying Agent (other than the Company itself) for the Notes, it will prior to each due date of the principal of, interest on, and other amounts payable in respect of, the Notes, deposit with the Paying Agent a sum sufficient to pay the principal of, interest on, and other amounts payable in respect of, the Notes so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, interest, or other amounts payable, but not to constitute property of the Company, and (unless the Paying

Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act. Anything in this Indenture or any of the Notes to the contrary notwithstanding, the nonpayment of principal of, interest on, or other amounts payable in respect of, the Notes when due will not be deemed to be a default under Section 6.01 or 6.02 if moneys sufficient for the payment thereof have been paid by the Company to the Trustee, or to the extent permitted under Article III, previously prepaid, redeemed, or purchased Original Notes or Notes have been delivered to the Trustee, for that purpose when and as the same have become due and payable.

SECTION 4.08. So long as any Notes are Outstanding, the Company will maintain one or more offices or agencies in the Borough of Manhattan, The City and State of New York, where the Notes may be presented for registration of transfer and exchange ("Registrar") as in this Indenture provided, where the Notes may be presented for payment ("Paying Agent"), and where the Notes may be presented for conversion ("Conversion Agent"), and the Company will maintain one or more offices or agencies in Cincinnati, Ohio, or another place in the United States where notices and demands to or upon the Company in respect of the Notes or of this Indenture may be served. The Company will give to the Trustee notice of the location of each such office or agency, if other than the Trustee, and of any change of location thereof. In case the Company fails to maintain any such office or agency or fails to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notice may be served at the corporate trust office of the Trustee. Until otherwise designated by the Company in a written notice to the Trustee, such office or agency in the Borough of Manhattan, The City and State of New York, will be the office of BancBoston Trust Company of New York.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City and State of New York) where the Notes may be presented or surrendered for any or all of the purposes specified above in this Section 4.08 and may from time to time rescind such designations; provided, however, that no such designation or rescission will in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City and State of New York for such purpose. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such office or agency.

SECTION 4.09. Except as otherwise permitted under Section 4.01 or Article Eleven, the Company will, and will cause each of its Subsidiaries to do or cause to be done all things necessary to preserve and keep in full force and effect (a) its respective corporate existence, rights (charter and statutory), and franchises and (b) its respective registered trademarks, trade names, and service marks, in each case to the extent that the failure to do so would have a Material Adverse Effect.

SECTION 4.10. The Company will make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company and its Subsidiaries to the extent that the failure to do so would have a Material Adverse Effect.

SECTION 4.11. The Company will, and will cause each of its Subsidiaries to, pay and discharge, before the same become delinquent (a) all taxes, assessments, and governmental charges or levies imposed upon it or its respective property and (b) all claims that if unpaid would result in a Lien on such property, unless in either case the same are being contested by proper proceedings, in any such case to the extent that the failure so to pay and discharge would have a Material Adverse Effect. The Company will maintain adequate reserves on the books of the Company or the appropriate Subsidiary in respect of taxes, assessments, and governmental charges and levies that are adequate in the aggregate under GAAP.

SECTION 4.12. The Company will, and will cause each of its Subsidiaries to, maintain and preserve its respective properties which are used or useful in its respective businesses in good working order, ordinary wear and tear excepted, to the extent that the failure to do so would have a Material Adverse Effect.

SECTION 4.13. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.10, a Trustee, so that there will at all times be a Trustee hereunder.

SECTION 4.14. (a) If the Company appoints a Paying Agent for the Notes other than the Trustee, it will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent agrees with the Trustee, subject to the provisions of this Section 4.14.

(1) that it will hold all sums held by it as such agent for the payment of the principal of, interest on, or other amounts payable in respect of, the Notes (whether such sums have been paid to it by the Company or by any other obligor on the Notes) in trust for the benefit of the Holders thereof;

(2) that it will give the Trustee prompt notice of any failure by the Company (or by any other obligor on the Notes) to make any payment of the principal of, interest on, or other amounts payable in respect of, the Notes when the same becomes due and payable; and

(3) that it will at any time during the continuance of an Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held by it as such agent.

(b) If the Company acts as its own Paying Agent for the Notes, it will, on or before each due date of the principal of, interest on, or other amounts payable in respect of, the Notes, set aside, segregate, and hold in trust for the benefit of the Holders of the Notes a sum, which will not constitute property of the Company, sufficient to pay such principal, interest, or other amount so becoming due. The Company will promptly notify the Trustee of any failure by the Company to take such action or the failure by any other obligor on the Notes to make any payment of the principal of or interest on, or other amount payable in respect of, the Notes, when the same will be due and payable.

(c) Anything in this Section 4.14 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any Paying Agent hereunder, as required by this Section 4.14, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent.

(d) Anything in this Section 4.14 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 4.14 is subject to the provisions of Sections 12.03 and 12.04.

SECTION 4.15. On or before a date not more than four months after the end of each fiscal year of the Company ending after the date hereof, the Company will file with the Trustee

an Officer's Certificate signed by a Responsible Officer holding one of the offices specified in Section 314(a)(4) of the Trust Indenture Act stating that in the course of the performance of the duties of the Responsible Officer executing such Officer's Certificate, such Responsible Officer would normally obtain knowledge of any action or failure to act on the part of the Company in violation of any covenant, agreement, provision, or condition contained in this Indenture, stating whether or not such Responsible Officer had obtained knowledge of any action or failure to act on the part of the Company during the preceding fiscal year which, in the opinion of such Responsible Officer, is in violation of any covenant, agreement, provision, or condition contained in this Indenture and, if so, specifying each such violation (determined without regard to any grace period or notice requirement pursuant to this Indenture) of which such Responsible Officer may have knowledge and the nature thereof.

SECTION 4.16. In the event that the Closing Price equals or exceeds the applicable Target Closing Price for at least 20 consecutive Trading Days during (a) the period from February 15, 1992 through February 14, 1993, (b) the period from February 15, 1993 through February 14, 1994, or (c) the period from February 15, 1994 through February 14, 1995, the Company will notify the Trustee of the occurrence of such event within 10 calendar days thereafter, and the Company or, at the Company's request, the Trustee, in the name of and at the expense of the Company, will mail to each Holder of the Notes at his last address appearing on the Register maintained pursuant to Section 2.05, notice thereof.

ARTICLE FIVE

Note Holders' Lists And Reports By The Company And The Trustee

SECTION 5.01. The Company will furnish or cause to be furnished to the Trustee semiannually, not less than 45 nor more than 60 calendar days after each Interest Payment Date, and at such other times as the Trustee may request in writing, within 30 calendar days after receipt by the Company of any such request, a list in such form as the Trustee may reasonably require containing all information in the possession or control of the Company, or any of its Paying Agents or Conversion Agents, other than the Trustee, as to the names and addresses of the Holders obtained (in the case of each list other than the first list) since the date as of which the next previous

list was furnished, provided that no such list will be required to be furnished so long as the Trustee is the Registrar. Any such list may be dated as of a date not more than 15 calendar days prior to the time such information is furnished or caused to be furnished, and need not include information received after such date.

SECTION 5.02. (a) The Trustee will preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders (i) contained in the most recent list furnished to it as provided in Section 5.01 and (ii) received by it in the capacity of Paying Agent (if so acting), Conversion Agent (if so acting), and Registrar (if so acting) hereunder.

The Trustee may (A) destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished, (B) destroy any information with respect to the Notes received by it as Paying Agent (if so acting), Conversion Agent (if so acting), or as Registrar (if so acting) hereunder upon delivery to itself as Trustee, not earlier than 45 calendar days after an Interest Payment Date, of a list containing the names and addresses of the Holders of Notes obtained from such information since the delivery of the next previous list, if any, and (C) destroy any list delivered to itself as Trustee which was compiled from information received by it as Paying Agent (if so acting), Conversion Agent (if so acting), or as Registrar (if so acting) hereunder upon the receipt of a new list so delivered.

(b) In case three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Note for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or the Notes; and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee will, within five Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of Section 5.02(a), or

(ii) inform such applicants as to the approximate number of Holders of the Notes whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of Section 5.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee elects not to afford such applicants access to such information, the Trustee will, upon written request of such applicants, mail to each Holder whose name and address appears in the information preserved at the time by the Trustee in accordance with the provisions of Section 5.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five Business Days after such tender the Trustee mails to such applicants and files with the Commission, together with a copy of the material to be mailed, a written statement to the effect that in the opinion of the Trustee such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement will specify the basis of such opinion. The Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, may, and if demanded by the Trustee or such applicants will, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the Commission enters an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission finds, after notice and opportunity for a hearing, that all the objections so sustained have been met and enters an order so declaring, the Trustee will mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee will be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee, nor any Paying Agent, Conversion Agent, or Registrar, will be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Notes in accordance with the provisions of Section 5.02(b), regardless of the source

from which such information was derived, and that the Trustee will not be held accountable by reason of mailing any material pursuant to a request made under Section 5.02(b).

SECTION 5.03. The Company will:

- (a) file with the Trustee, within 15 calendar days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company is required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents, or reports pursuant to either of such Sections, then to file with the Trustee and the Commission, in accordance with rules and regulations as may be prescribed by the Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;
- (b) file with the Trustee and the Commission, in accordance with the rules and regulations prescribed by the Commission, such additional information, documents, and reports with respect to compliance by the Company with conditions and covenants provided for in this Indenture as may be required by such rules and regulations;
- (c) deliver to the Trustee copies of all financial statements, reports, notices, proxy statements, and other information mailed by the Company to any class of its security holders simultaneously with such mailing;
- (d) transmit to the Holders, in accordance with the provisions of Section 314(a) of the Trust Indenture Act, summaries of any information, documents, and reports required to be filed by the Company pursuant to Sections 5.03(a) and 5.03(b) as may be required by rules and regulations prescribed by the Commission from time to time; and
- (e) promptly, and in any event within five Business Days after any Responsible Officer of the Company becomes aware of the existence of any Event of Default, provide notice to the Trustee specifying the nature thereof.

SECTION 5.04. (a) On or before July 15, 1993, and on or before July 15 in every year thereafter, so long as any Notes are Outstanding hereunder, the Trustee will transmit to the Holders, as hereinafter in this Section 5.04 provided, a brief report dated as of the preceding May 15, with respect to any of the following events which may have occurred within the previous 12 months (but if no such event has occurred within such period no report need be transmitted):

- (i) any change to its eligibility under Section 7.09 and its qualifications under Section 7.08;
- (ii) the creation of or any material changes to a relationship specified in Section 7.08;
- (iii) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a Lien or charge prior to that of the Notes on any property or funds held or collected by it as Trustee, except that the Trustee will not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than one-half of 1% of the aggregate stated principal amount of the Notes Outstanding on the date of such report;
- (iv) any change to the amount, interest rate, and maturity date of all other indebtedness owing by the Company to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship excluded from the operation of this Indenture by Section 311(b) of the Trust Indenture Act;
- (v) any change to the property and funds held hereunder, if any, physically in the possession of the Trustee, as such, on the date of such report; and
- (vi) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Notes, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 6.08.

(b) The Trustee will transmit to the Holders, as hereinafter provided, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to the provisions of Section 5.04(a) (or if no such report has yet been so transmitted, since the date of execution of this Indenture), for the reimbursement of which it claims or may claim a mortgage on, security interest in, or charge prior to that of the Notes on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this Section 5.04(b), except that the Trustee will not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate more than 10% of the aggregate stated principal amount of the Notes then Outstanding at the time of such advance or advances, such report to be transmitted within 90 calendar days after such time.

(c) Reports pursuant to this Section 5.04 will be transmitted by mail in accordance with the provisions of Section 313(c) of the Trust Indenture Act.

(d) A copy of each such report will, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Notes are listed and with the Commission, and will be furnished to the Company. The Company will notify the Trustee when the Notes become listed on any stock exchange.

ARTICLE SIX

Remedies On Default

SECTION 6.01. If any of the following events ("Events of Default") occurs and is continuing:

(a) default is made in the due and punctual payment of all or any part of the Issue Price, accreted Original Issue Discount or, after February 15, 1995, principal (including without limitation mandatory prepayments or redemptions of principal) of any Note, or any payment of interest or any other amount required to be paid together with a prepayment or redemption of principal on any Note, when and as the same becomes due and payable; or

(b) default is made in the payment of any interest on, or any amount payable in respect of, any Note when and as such interest or other amount becomes due and payable, and such default continues for a period of 30 calendar days; or

(c) default is made in the performance of or compliance with any other covenant contained in this Indenture or the Notes (other than those specified as defaults above in this Section 6.01), and such default has not been remedied within 60 calendar days after written notice thereof was received by the Company from the Trustee; provided, that if such default relates to the failure of the Company to take action at a specified time, such action will be deemed timely if taken during such 60-day period; or

(d) the Notes Outstanding, or any material provision of this Indenture, ceases to be valid, binding, and enforceable with respect to the Company, or the Company or any of its Subsidiaries initiates any suit or proceeding challenging the legality, validity, or enforceability of any of the foregoing; or

(e) any nonpayment at maturity or other default is made under any agreement or instrument relating to any other Debt of the Company (including for this purpose any obligation of the Company under the LC Facility or any replacement facility), the principal amount of which exceeds \$25.0 million, and, in any such case, such default (i) continues beyond any period of grace provided with respect thereto and (ii) results in such Debt becoming due prior to its stated maturity or occurs at the final maturity of such Debt; or

(f) any default is made in the payment of principal of or interest on, or any fees payable pursuant to, or reimbursement obligations under, the Series A Notes or the Series B Notes, and, in any such case, such default continues more than five calendar days beyond the applicable grace period; or

(g) (i) (A) the Company, (B) any of the Pledged Operating Subsidiaries, or (C) any one or more Subsidiaries of the Company that singly or in the aggregate constitute a Significant Subsidiary (each, or in the case of such aggregated Subsidiaries, collectively, a "Principal Party") (1) becomes generally unable to pay its debts as such debts

become due, or admits in writing its inability to pay its debts generally, or (2) makes a general assignment for the benefit of creditors; (ii) any proceeding is instituted by or against any Principal Party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian, or other similar official for it or for any substantial part of its property, and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding remains undismissed or unstayed for a period of 45 calendar days or any of the actions sought in such proceeding (including without limitation the entry of any order for relief against it or the appointment of a receiver, trustee, custodian, or other similar official for it or for any substantial part of its property) occurs; or (iii) any Principal Party takes any corporate action to authorize any of the actions set forth above in this subsection (g); or

(h) any Officer's Certificate delivered pursuant hereto proves to have been materially false or incorrect on the date as of which given with respect to any material matter and such default, if by its nature capable of remedy, has not been remedied within 30 calendar days after written notice thereof was received by the Company from the Trustee; provided, that any such corrected Officer's Certificate will be deemed timely delivered if delivered by the Company to the Trustee within such 30-day period;

then (i) upon the occurrence of any Event of Default described in Sections 6.01(g)(1)(2), (ii), or (iii) with respect to the Company, the Notes, all accreted Original Issue Discount thereon, any accrued and unpaid interest thereon, and all other amounts payable by the Company hereunder, will automatically become immediately due and payable, without presentment, demand, protest, notice of intention to accelerate, notice of acceleration, or other requirements of any kind, all of which are hereby expressly waived by the Company, and (ii) upon the occurrence and during the continuance of any other Event of Default, (A) the Trustee, by notice to the Company, or (B) the Holder or Holders of not less than 51% in aggregate stated principal amount of the Notes then Outstanding, by notice to the Company and the Trustee, may declare to be immediately due and payable the Notes, all accreted Original Issue Discount

thereon, any accrued and unpaid interest thereon, and all other amounts payable by the Company hereunder, without presentment, demand, protest, notice, or other requirements of any kind, all of which are hereby expressly waived by the Company, and upon any such declaration of acceleration the same shall become immediately due and payable. This provision, however, is subject to the conditions that, (i) in the case of nonpayment of principal of, interest on, or other amounts payable in respect of, the Notes, such nonpayment will not be deemed an Event of Default if at any time after such a declaration of acceleration has been made, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, the Company pays or deposits with the Trustee a sum sufficient to pay (w) all matured installments of interest upon all the Notes, (x) the principal of any and all Notes which have become due otherwise than by acceleration and all other amounts which have become due and owing with respect to the Notes otherwise than by acceleration, with interest (to the extent permitted by applicable law) upon such principal, such overdue installments of interest, and such other amounts, at the then-applicable interest rate, to the date of such payment or deposit, (y) an amount equal to all other amounts then payable in respect of the Notes (other than principal amounts that otherwise had become accelerated), and such amount as is sufficient to cover reasonable compensation to the Trustee, its agents, attorneys, and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith, and any and all Events of Default, other than the nonpayment of any portion of the principal amount that has become due by acceleration, will have been remedied, and (ii) by written notice to the Company and the Trustee, (A) in the case of an Event of Default resulting from nonpayment of principal of, interest on, or other amounts payable in respect of the Notes, Holders of all of the Notes then Outstanding, or (B) in the case of any other Event of Default, the Holders of a majority in aggregate stated principal amount of the Notes then Outstanding, may waive with respect to all Notes all such Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment will extend to or will affect any subsequent Event of Default or will impair any right consequent thereon; provided, however, that the Company may set a record date for a determination of the Holders entitled to take such action. If the Company elects to set such a record date, only Holders registered on the Note register as of such date will be entitled to take the action described in this Section 6.01. Such record date will be the later of (a) 30 calendar days

prior to the first solicitation of consents to take such action and (b) the date of the most recent list of Holders furnished to the Trustee pursuant to Section 5.01.

SECTION 6.02. Subject to rescission by the unanimous approval of the Holders of the Notes then Outstanding, as described in Section 6.01, if the Company (a) defaults in the payment of any installment of interest or any other amount (except principal) payable in respect of the Notes as and when the same becomes due and payable, and such default has continued for a period of 30 calendar days or (b) defaults in the payment of the principal of the Notes as and when the same became due and payable, whether upon Maturity or otherwise (including the failure to pay the Prepayment Price), then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders the whole amount that then has become due and payable on all such Notes for principal, interest, or otherwise, as the case may be, with interest (to the extent permitted by applicable law) upon such overdue principal, upon the overdue installments of interest and upon such overdue payments of other amounts (any overdue installments of interest being payable as set forth in Section 2.10) at the then-applicable rate, and, in addition thereto, such further amount as is sufficient to cover reasonable compensation to the Trustee, its agents, attorneys, and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

In case the Company fails forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled and empowered to institute any action or proceedings at law or in equity against the Company or other obligor upon the Notes for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Notes and collect in the manner provided by law out of the property of the Company or other obligor upon the Notes wherever situated the moneys adjudged or decreed to be payable.

In case of pending proceedings for the bankruptcy, reorganization, or liquidation of the Company or other obligor upon the Notes under the Federal bankruptcy law or any other similar applicable Federal or state law, or in case a receiver or trustee has been appointed for the property of the Company or other obligor upon the Notes, or in the case of any other

judicial proceedings relative to the Company or other obligor upon the Notes or to the creditors or property of the Company or other obligor upon the Notes, the Trustee, irrespective of whether the principal of the Notes is then due and payable as therein expressed or by declaration, acceleration, or otherwise and irrespective of whether the Trustee has made any demand pursuant to the provisions of this Section 6.02, will be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, interest, and any other amounts payable and unpaid in respect of the Notes, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys, and counsel, and for reimbursement of all expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders allowed in any such judicial proceedings relative to the Company or other obligor upon the Notes or to the creditors or property of the Company or such other obligor, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Holders and of the Trustee on their behalf; provided, however, that nothing herein contained will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment, or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceedings. Any receiver, assignee, or trustee in bankruptcy or reorganization is hereby authorized by each of the Holders to make payments to the Trustee and, in the event that the Trustee consents to the making of payments directly to the Holders of the Notes, to pay to the Trustee such amount as will be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys, and counsel, and all other expenses and liabilities reasonably incurred, and all reasonable advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee will be brought in its own name as trustee of an

express trust, and any recovery of judgment will, subject to Section 6.03, be for the ratable benefit of the Holders of the Notes.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee deems most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law or in equity.

SECTION 6.03. Any moneys collected by the Trustee pursuant to Section 6.02 with respect to the Notes will be applied in the order following, at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal, interest, or other amounts payable in respect of the Notes upon presentation (except with respect to the provisions of paragraph **SECOND** below) of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection, and of all amounts payable to the Trustee and each predecessor Trustee under Section 7.06;

SECOND: In case the principal of the Notes has not become due at Stated Maturity, ratably to the payment of interest on the Notes, in the order of the Maturity of the installments of such interest, and payment of any other amounts then payable in respect of, the Notes, with interest (to the extent permitted by applicable law and to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest or other amounts at the then-applicable rate;

THIRD: In case the principal of the Notes has become due at Maturity, to the payment of the whole amount then owing and unpaid upon the Notes for principal, interest, and other amounts payable in respect of the Notes with interest (to the extent permitted by applicable law and to the extent that such interest has been collected by the Trustee) upon the overdue principal, upon the overdue installments of interest, and upon the overdue amounts otherwise owing at the then-applicable rate, ratably.

without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, and otherwise, respectively; and

FOURTH: To the payment of the remainder, if any, to the Company, or as a court of competent jurisdiction may direct.

SECTION 6.04. No Holder of any Note has any right by virtue of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously has given to the Trustee written notice of an Event of Default and of the continuance thereof, and unless also the Holders of not less than 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee, for 60 calendar days after its receipt of such notice, request, and offer of indemnity, has failed to institute any such action or proceedings; it being understood and intended, and being expressly covenanted by the Holder of every Note with every other such Holder and the Trustee, that no one or more Holders will have any right in any manner whatever by virtue or by availing himself of any provision of this Indenture to affect, disturb, or prejudice the rights of any other Holders, or to obtain or seek to obtain priority over or preference to any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable, and common benefit of all Holders. For the protection and enforcement of the provisions of this Section 6.04, each and every Holder of the Notes and the Trustee is entitled to such relief as can be given either at law or in equity.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders will, subject to any determination in such proceeding, be restored severally to their respective former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders will continue as though no such proceeding has been instituted.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note, which is absolute and unconditional, to receive payment of the principal of, interest on, and other amounts payable in respect of, such Note, on or after the respective due dates expressed in such Note, or, in the case of prepayment or redemption, on or after the applicable Prepayment Date, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder.

SECTION 6.05. Subject to Section 6.04, all powers and remedies given by this Article Six to the Trustee or to the Holders will, to the extent permitted by law, be deemed cumulative and not exclusive of any other such powers and remedies or of any other powers and remedies available to the Trustee or the Holders, at law or in equity, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid will impair any such right or power, or will be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 6.04, every power and remedy given by this Article Six or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders.

SECTION 6.06. The Holders of not less than 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes, or exercising any trust or power conferred on the Trustee with respect to the Notes; provided, however, that, subject to the provisions of Section 7.01, the Trustee has the right to decline to follow any such direction (a) if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or is not in accordance with the provisions of this Indenture, or would involve the Trustee in personal liability in circumstances where reasonable indemnity would not be adequate, or (b) if the Trustee in good faith by a Responsible Officer or Officers of the Trustee determines that the action so directed would be unduly prejudicial to the Holders of the Notes not taking part in such direction or expose the Trustee to personal liability.

SECTION 6.07. All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof will be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, however, that the provisions of this Section 6.07 will not apply to any suit instituted by the Trustee, to any suit instituted by any Person or group of Persons holding in the aggregate more than 10% in aggregate stated principal amount of the Notes Outstanding, or to any suit instituted by the Holder of any Notes for the enforcement of the payment of the principal of, interest on, or other amounts payable in respect of, the Notes, as the case may be, on or after the due date thereof or, in the case of prepayment or redemption of a Note, after the applicable Prepayment Date.

SECTION 6.08. The Trustee will, within 90 calendar days after the occurrence of a default with respect to the Notes, give to the Holders of the Notes, in the manner and to the extent provided in Section 5.04(c), notice of all such defaults known to the Trustee, unless such defaults have been cured before the giving of such notice (the term "default" or "defaults" for the purpose of this Section 6.08 being hereby defined to be any event or events, as the case may be, specified in Section 6.01, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in Section 6.01(c)); provided, however, that, except in the case of default in the payment of the principal of, interest on, or other amounts payable in respect of, the Notes, the Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Notes.

SECTION 6.09. The rights and obligations of the Company and the Trustee pursuant to this Indenture are independent of any other rights or obligations of either the Company or the Trustee. The rights of the Holders hereunder are independent of any other rights or obligations of the Holders. No decision, action, or failure to act on the part of

the Holders or the Trustee hereunder, with respect to remedies or otherwise, whether with or without reason, whether or not in good faith, and whether or not constituting negligence or willful misconduct, will create or result in any liability of the Holders or the Trustee whatsoever to the holders of any other series of POR Debt, or the agents, trustees, or other representative of such holders, or any other Person; and no decision, action, or failure to act on the part of the holders of any other series of POR Debt, or the agents, trustees, or other representatives of such holders, or any other Person, with respect to remedies or otherwise, will create or result in any liability on the part of any of such Persons to the Holders or the Trustee. No Holder will have any obligation to consider or take into account the interests of any other Holder or other Person (including without limitation any holders of other POR Debt) with respect to such Holder's decisions, actions, or failures to act pursuant to the Notes or this Indenture.

ARTICLE SEVEN

Concerning The Trustee

SECTION 7.01. The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred:

(i) the duties and obligations of the Trustee will be determined solely by the express provisions of this Indenture, and the Trustee will not be liable except for the performance of such duties and obligations as are specifically set forth in this

Indenture, and no implied covenants or obligations will be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the requisite authorization of the Holders relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture will require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 7.02. In furtherance of and subject to Section 315 of the Trust Indenture Act, and subject to Section 7.01:

(a) The Trustee may rely and will be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request, direction, order, or demand of the Company mentioned herein will be sufficiently evidenced by an instrument signed in the name of the Company by a Responsible Officer (unless other evidence in respect thereof is herein specifically prescribed); and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel, or both, which will conform to Section 15.05(b), and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel;

(d) The Trustee may consult with counsel and any Opinion of Counsel will be full and complete authorization and protection in respect of any action taken, suffered, or omitted by it hereunder in good faith and in accordance with such Opinion of Counsel;

(e) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order, or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which may be incurred therein or thereby;

(f) The Trustee will not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(g) The Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, or other paper, or document, unless requested in writing so to do by the Holders of not less than the requisite percentage in stated principal amount of the Notes then Outstanding; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses, or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such

expense or liability as a condition to so proceeding. The reasonable expense of every such investigation will be paid by the Company or, if paid by the Trustee, will be repaid by the Company upon demand; and

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee will not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 7.03. The recitals contained herein and in the Notes, except in the Trustee's certificate of authentication thereof, will be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Notes. The Trustee will not be accountable for the use or application by the Company of any of the Notes or of the proceeds thereof.

SECTION 7.04. The Trustee or any Paying Agent, Conversion Agent, or Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Trustee, Paying Agent, Conversion Agent, or Registrar.

SECTION 7.05. Subject to the provisions of Sections 12.03 and 12.04, all moneys received by the Trustee or any Paying Agent will, until used or applied as herein provided, be held in trust for the purposes for which they were received and need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent will be under any liability for interest on any moneys received by it hereunder except such as it may agree with the Company in writing to pay thereon. So long as no Event of Default has occurred and is continuing, all interest allowed on any such moneys will be paid from time to time upon the written order of the Company, signed by a Responsible Officer.

SECTION 7.06. The Company will pay to the Trustee from time to time, and the Trustee is entitled to, reasonable compensation for all services rendered hereunder (which compensation will not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, except as otherwise expressly provided herein, the Company will pay or reimburse the Trustee upon its request (and the

Trustee, upon request by the Company, will furnish to the Company a detailed invoice showing, at a minimum, the computation of costs, expenses, and fees set forth therein at least five Business Days prior to the date as of which such payment is requested) for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement, or advance as may arise from its negligence or bad faith. If any property other than cash is at any time subject to a Lien in favor of the Holders, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such Lien, will be entitled, but will not be required, to make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens thereon. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust. The obligations of the Company under this Section 7.06 to compensate the Trustee and to pay or reimburse the Trustee for expenses, disbursements, and advances will constitute additional indebtedness hereunder and will survive the satisfaction and discharge of this Indenture. Such additional indebtedness will be secured by a Lien prior to that of the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust to pay principal, interest, or other amounts payable with respect to particular Notes.

SECTION 7.07. Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, will be full warrant to the Trustee for any action taken, suffered, or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 7.08. (a) If the Trustee has or acquires any conflicting interest, as defined in Section 310(b) of the Trust Indenture Act, then, within 90 calendar days after ascertaining that it has such conflicting interest, and if the Event of Default to which such conflicting interest relates has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, the Trustee will either eliminate such conflicting interest or, except as otherwise provided in this Section 7.08, resign in the manner and with the effect specified in Section 7.10, such resignation to become effective upon the appointment of a successor Trustee and such successor's acceptance of such appointment, and the Company will take prompt steps to have a successor appointed in the manner provided in Section 7.10.

(b) In the event that the Trustee fails to comply with the provisions of Section 7.08(a), the Trustee will, within 10 calendar days after the expiration of such 90-day period, transmit notice of such failure to the Holders in the manner and to the extent provided in Section 5.04(c) with respect to reports pursuant to Section 5.04(a).

(c) Subject to the provisions of Section 6.07, unless the Trustee's duty to resign is stayed as provided in this Section 7.08, any Holder who has been a bona fide Holder for at least six months may, on behalf of all the Holders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor, if the Trustee fails, after written request therefor by such Holder, to comply with provisions of Section 7.08(a).

(d) Except with respect to a default in the payment of (i) principal of the Notes as and when the same becomes due and payable, either at Maturity, by declaration, acceleration, or otherwise (including the failure to pay the Prepayment Price) or (ii) any installment of interest upon, or other amounts payable in respect of, the Notes when the same become due and payable, the Trustee will not be required to resign as provided in this Section 7.08 if the Trustee has sustained the burden of proving, on application to the Commission and after opportunity for hearing thereof, that the Event of Default giving rise to such conflict may be cured or waived during a reasonable period and under the procedures described in such application and a stay of the Trustee's duty to resign will not be inconsistent with the interests of the Holders. The filing of such an application will automatically stay the performance of the duty to resign until the Commission orders otherwise.

SECTION 7.09. The Trustee hereunder will at all times be a corporation organized and doing business under the laws of the United States or of any state or of the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000, subject to supervision or examination by Federal, state, or District of Columbia authority. If such corporation publishes reports of condition at least annually pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 7.09, the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. No obligor upon the Notes or Person directly or indirectly controlling, controlled by, or under common control with such obligor may serve as Trustee. In case at any time the Trustee ceases to be eligible in accordance with the provisions of this Section 7.09, the Trustee will resign immediately in the manner and with the effect specified in Section 7.10.

SECTION 7.10. (a) The Trustee, or any Trustee or Trustees hereafter appointed, may at any time resign by giving written notice by first-class mail of resignation to the Company and to each Holder of Notes at his last address appearing in the Note register. Upon receiving such notice of resignation, the Company will promptly appoint a successor Trustee by written instrument in duplicate executed by order of the Board of Directors, one copy of which instrument will be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within 30 calendar days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Holder who has been a bona fide Holder of the Notes for at least six months may, subject to the provisions of Section 6.07, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) In case at any time any of the following occurs:

(i) the Trustee fails to comply with the provisions of Section 7.08(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(ii) the Trustee ceases to be eligible in accordance with the provisions of Section 7.09 and fails to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property is appointed, or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, liquidation, or similar purpose,

then, in any such case, the Company may remove the Trustee and appoint a successor Trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument will be delivered to the Trustee so removed and one copy to the successor Trustee, or, subject to the provisions of Section 6.07, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee or Trustees. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The Holders of a majority in aggregate stated principal amount of the Notes at the time Outstanding may at any time remove the Trustee and appoint a successor Trustee by delivering to the Trustee so removed, to the successor Trustee so appointed, and to the Company, the evidence provided for in Section 8.01 of the action taken by such Holders, unless within 10 calendar days thereafter the Company reasonably objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as provided in Section 7.10(a), may petition any court of competent jurisdiction for an appointment of a successor Trustee.

(d) Any resignation or removal of the Trustee and any appointment of a successor Trustee pursuant to any of the provisions of this Section 7.10 will become effective upon acceptance of appointment by the successor Trustee as provided in Section 7.11.

SECTION 7.11. In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed will execute, acknowledge, and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring

Trustee will become effective and such successor Trustee without any further act, deed, or conveyance, will become vested with all the rights, powers, trusts, and duties of the retiring Trustee, but, on the request of the Company or the successor Trustee, such retiring Trustee will, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers, and trusts of the retiring Trustee and will duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

No successor Trustee may accept its appointment unless at the time of such acceptance such successor Trustee is qualified and eligible under this Article Seven.

Upon acceptance of appointment by a successor Trustee as provided in this Section 7.11, the Company will mail notice of the succession of such Trustee hereunder to each Holder at his last address appearing in the Note register. If the Company fails to mail such notice within 10 calendar days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Company.

SECTION 7.12. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or conversion or consolidation to which the Trustee is a party, or any corporation succeeding to the corporate trust business of the Trustee, will be the successor of the Trustee hereunder, provided such corporation is qualified under the provisions of Section 7.08 and eligible under the provisions of Section 7.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee succeeds to the trusts created by this Indenture any of the Notes have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Notes so authenticated; and in case at that time any Notes have not been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificate of authentication will have full force and effect as to the Notes and this Indenture; provided, however, that the right to adopt the certificate of

authentication of any predecessor Trustee or authenticate Notes in the name of any predecessor Trustee will apply only to its successor or successors by merger, conversion, or consolidation.

SECTION 7.13. The Trustee will comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed will be subject to Section 311(b) of the Trust Indenture Act to the extent indicated therein.

ARTICLE EIGHT

Concerning The Holders

SECTION 8.01. Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate stated principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent, or waiver, or the taking of any other action) the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article Nine, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders.

SECTION 8.02. Subject to the provisions of Sections 7.01, 7.02, and 9.05, proof of the execution of any instrument by a Holder or his agent or proxy and proof of the holding by any Person of any of the Notes will be sufficient if made in the following manner:

(a) The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction within the United States of America authorized to take acknowledgments of deeds to be recorded in such jurisdiction that the Person executing such instrument acknowledged to him the execution thereof or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit will also

constitute sufficient proof of authority of the person executing the same. The fact and date of the execution of any instrument, or the authority of any Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(b) The ownership of Notes will be proved by the Note register or by a certificate of the Registrar.

(c) The Trustee will not be bound to recognize any Person as a Holder unless and until his title to the Notes held by him is proved in the manner in this Article Eight provided.

(d) The Trustee may require such additional proof of any matter referred to in this Section 8.02 as it reasonably deems necessary.

(e) The record of any Holders' meeting will be proved in the manner provided in Section 9.06.

SECTION 8.03. The Company, the Trustee, any Paying Agent, any Conversion Agent, and any Registrar may deem and treat the Person in whose name any Note is registered upon the Note register as the absolute owner of such Note (whether or not such Note is overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal and (subject to the provisions of Sections 2.03 and 2.10) interest on such Notes, or any other amounts payable hereunder or in respect of the Notes, and for all other purposes, and neither the Company nor the Trustee, nor any Paying Agent, Conversion Agent, or Registrar, will be affected by any notice to the contrary. All such payments so made to any such registered Holder for the time being, or upon his order, will be valid, and to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Note.

SECTION 8.04. In determining whether the Holders of the requisite aggregate stated principal amount of Outstanding Notes have concurred in any direction, consent, or waiver under this Indenture, the Trustee will be protected in relying on any such direction, consent, or waiver except that Notes which the Trustee knows are not Outstanding will be disregarded. Outstanding Notes so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 8.04, if the pledgor or pledgee, as the case may be,

establishes to the satisfaction of the Trustee such Person's right to vote such Notes and that such Person is not an Affiliate of the Company. In the case of a dispute as to such rights, any decisions by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request of the Trustee, the Company will furnish to the Trustee promptly an Officer's Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the Persons described in the second sentence of this Section 8.04; and, subject to the provisions of Section 7.01 hereof, the Trustee will be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that the Notes not listed therein are Outstanding for the purpose of any such determination.

SECTION 8.05. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage in aggregate stated principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note the serial number of which is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at the corporate trust office of the Trustee and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid any such action taken by the Holder of any Note will be final, conclusive, and binding upon such Holder and upon all future holders and owners of such Note, and of any Note issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Note. Any action taken by the Holders of the percentage in aggregate stated principal amount of the Notes specified in this Indenture in connection with such action will be conclusively binding upon the Company, the Trustee, and the Holders of all the Notes.

ARTICLE NINE

Note Holders' Meetings

SECTION 9.01. A meeting of the Holders of the Notes may be called at any time and from time to time pursuant to the provisions of this Article Nine for any of the following purposes:

(a) to make any demand or request upon, or to give any notice, consent, or waiver to, the Company or the Trustee, or to give any directions to such Trustee, or to consent to the waiving of any default hereunder and its consequences, to take any other action authorized to be taken by the Holders pursuant to any of the provisions of this Indenture;

(b) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article Seven;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

SECTION 9.02. The Trustee may at any time call a meeting of Holders of the Notes to take any action specified in Section 9.01, to be held at such time and at such place in the Borough of Manhattan, The City and State of New York or such other location, as the Trustee determines. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be mailed to the Holders at their addresses as shown by the Note register not less than 10 nor more than 60 calendar days prior to the date fixed for the meeting.

SECTION 9.03. In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in aggregate stated principal amount of the Notes then Outstanding, have requested the Trustee to call a meeting of Holders to take any action authorized in Section 9.01 by written request setting forth in reasonable detail the action proposed to be taken at the meeting and the Trustee has not mailed the notice of such meeting within 20 calendar days after receipt of such request, then the Company or the Holders of at least 10% in aggregate stated principal amount of Notes then Outstanding may determine the time and the place in the Borough of Manhattan, The City and State of New York or any other location for such meeting and may call such meeting by mailing notice thereof as provided in Section 9.02.

SECTION 9.04. To be entitled to vote at any meeting of Holders a Person must (a) be a Holder of one or more Notes or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes. The only Persons who are entitled to be present or to speak at any meeting of Holders are the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 9.05. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates, and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it reasonably thinks fit. Except as otherwise permitted or required by any such regulations, the holding of Notes will be proved in the manner specified in Section 8.02 and the appointment of any proxy will be proved in the manner specified in said Section 8.02 or by having the signature of the Person executing the proxy witnessed or guaranteed by any bank, banker, or trust company.

The Trustee will, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting has been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, will in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting will be elected by vote of the Holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote.

Subject to the provisions of Section 8.04, at any meeting each Holder or proxy will be entitled to one vote for each \$1,000 stated principal amount of Notes held by him or represented by proxy; provided, however, that no vote will be cast or counted at any meeting in respect of any Note challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting has no right to vote other than by virtue of Notes held by him or instruments in writing as aforesaid duly designating him as the Person to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or 9.03 may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

At any meeting of Holders, the presence of Persons holding or representing Notes in an aggregate stated principal amount sufficient to take action upon the business for the transaction of which such meeting was called will be necessary to constitute a quorum; but, if less than a quorum is present, the Persons holding or representing a majority of the Notes represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

SECTION 9.06. Unless a different percentage is specifically provided in this Indenture, any action that may be taken by the Holders pursuant to this Indenture, including, without limitation, actions pursuant to Section 9.01, will require the consent or approval of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding; provided, however, subject to the provisions of Section 316 of the Trust Indenture Act, that for so long as any Original Notes are outstanding pursuant to the Convertible Note Agreement, any amendment or waiver of any provision of the Convertible Note Agreement, and any consent to any departure by the Company therefrom, approved by the holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Original Notes then outstanding under the Convertible Note Agreement (determined pursuant thereto) will be deemed to constitute an amendment or waiver of any substantially similar provision of the Indenture or a consent to the departure by the Company therefrom, as the case may be, and to have been approved also by the Holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding, and the Trustee and the Company may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture to give effect to any such waiver, amendment, or consent to the extent applicable to the terms of the Indenture, the Notes, and the Holders thereof. The vote upon any resolution submitted to any meeting of Holders will be by written ballots on which will be subscribed the signatures of the Holders or proxies and the serial number or numbers of the Notes held or represented by them. The permanent chairman of the meeting will appoint two inspectors of votes who will count all votes cast at the meeting for or against any resolution and who will make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders will be prepared by the secretary of the meeting and there will be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth

a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record will be signed and verified by the affidavits of the permanent chairman and secretary of the meeting, and one of the duplicates will be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto all of the ballots voted at the meeting.

Any record so signed and verified will be conclusive evidence of the matters therein stated.

SECTION 9.07. Nothing contained in this Article Nine will be deemed or construed to require any delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call.

ARTICLE TEN

Supplemental Indentures and Certain Actions

SECTION 10.01. The Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which will conform to the provisions of the Trust Indenture Act, as in force at the date of the execution thereof) or the Company and the Trustee may enter into one or more agreements, or the Trustee may execute any such consents, waivers, or other documents or instruments, or take such other actions as the Trustee deems necessary or appropriate, for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, and the assumption by any such Successor of the covenants of the Company herein and in the Notes contained;

(b) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(c) to add any additional Events of Default;

(d) to amend this Indenture to conform to the provisions of the Trust Indenture Act, as in force at the time of the execution of such supplemental indenture;

(e) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, to convey, transfer, assign, mortgage, or pledge any property to or with the Trustee, or to surrender any right or power herein conferred upon the Company, or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action will not adversely affect the interests of the Holders in any material respect.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained, and to accept the conveyance, transfer, assignment, mortgage, or pledge of any property thereunder, but the Trustee will not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time Outstanding, notwithstanding any of the provisions of Section 10.02.

SECTION 10.02. The Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which will conform to the provisions of the Trust Indenture Act, as in force at the date of the execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders under this Indenture, or to reflect, to implement, or to ratify or otherwise approve, as the case may be, the terms of any amendments, modifications, or supplements, but only with the consent (evidenced as provided in Section 8.01) of the Holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding; provided, however, that no such supplemental indenture will, without the consent of the Holders of each Outstanding Note, (a) lengthen the Stated Maturity of the Notes, or reduce the principal amount thereof or other amounts payable thereunder, or change the rate at which interest accrues or Original Issue Discount accretes, or change any other terms of payment thereof, including without limitation the dates or amounts of required prepayments or redemptions, or (b) reduce the percentage of Notes referred to above, the

consent of the Holders of which is required for any such supplemental indenture; provided further, however, subject to the provisions of Section 316 of the Trust Indenture Act, that for so long as any Original Notes are outstanding pursuant to the Convertible Note Agreement, any amendment or waiver of any provision of the Convertible Note Agreement, and any consent to any departure by the Company therefrom, approved by the holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Original Notes then outstanding under the Convertible Note Agreement (determined pursuant thereto) will be deemed to constitute an amendment or waiver of any substantially similar provision of the indenture or a consent to the departure by the Company therefrom, as the case may be, and to have been approved also by the Holders of at least 51 $\frac{1}{2}$ in aggregate stated principal amount of the Notes then Outstanding, and the Trustee and the Company may from time to time and at any time enter into an indenture or indentures supplemental hereto to give effect to any such waiver, amendment, or consent to the extent applicable to the terms of this Indenture, the Notes, and the Holders thereof.

Upon the request of the Company, accompanied by a copy of a Board Resolution certified by the Secretary or an Assistant Secretary of the Company, authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders or the holders of Original Notes, as the case may be, as aforesaid, the Trustee will join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such supplemental indenture.

To the extent that the consent of the Holders is otherwise required under this Section 10.02, it will not be necessary for such consent to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such consent approves the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 10.02, the Company will mail to the Holders a notice, setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 10.03. Upon the execution of any supplemental indenture pursuant to the provisions of this Article Ten, this Indenture will be and will be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties, and immunities under this Indenture of the Trustee, the Company, and the Holders will thereafter be determined, exercised, and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture will be and will be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 7.01 and 7.02, will receive an Officer's Certificate and Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Ten.

SECTION 10.04. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article Ten or after any action taken at a Holders' meeting pursuant to Article Nine, may, and will if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture or as to any such action. New Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture or reflecting such action may be prepared by the Company, authenticated by the Trustee, and delivered in exchange for the Notes then Outstanding.

ARTICLE ELEVEN

Consolidation, Merger, Sale, or Conveyance

SECTION 11.01. The Company will not consolidate with or merge into any other Person, or permit any other Person to consolidate with or merge into it, or sell, lease, transfer, or otherwise dispose of substantially all of its assets to any Person, except that, if no Event of Default has occurred and is continuing, (a) the Company may consolidate or merge with any other corporation or other legal entity if the Company is the continuing or surviving corporation and at the effective time of such consolidation or merger the Trustee receives an Officer's Certificate stating that, after giving effect to the consummation of such consolidation or merger, no Event of Default has occurred and is continuing and the consolidated net

worth of the Company, determined in conformity with GAAP, immediately after the consummation of such consolidation or merger, is not less than the consolidated net worth of the Company, determined in conformity with GAAP, immediately prior thereto and (b) the Company may consolidate with or merge into any Person or sell, lease, or otherwise transfer substantially all of its assets to another Person (each a "Successor"), if (i) such Successor (A) is a corporation or other legal entity duly organized and validly existing under the laws of the United States of America or a state thereof, and (B) expressly assumes the obligations of the Company under this Indenture, by supplemental indenture delivered and satisfactory in form and substance to the Trustee, and (ii) at the time of such delivery the Trustee receives (A) a favorable Opinion of Counsel as to compliance with the terms of this Indenture and to the effect that this Indenture is the legal and valid obligation of the Successor, enforceable against the Successor in accordance with its terms (subject to bankruptcy, insolvency, and other laws affecting creditors' rights generally and limitations on equitable remedies), and (B) an Officer's Certificate stating that, immediately after giving effect to the consummation of transactions contemplated by the agreement or instrument which is the basis for such assumption, (x) no Event of Default has occurred and is continuing and (y) the consolidated net worth of the Successor, determined in conformity with GAAP, immediately after giving effect to the consummation of such transactions, is not less than the consolidated net worth of the Company, determined in conformity with GAAP, immediately prior to giving effect to the consummation of such transactions.

SECTION 11.02. In case of any such consolidation, merger, sale, or conveyance and upon the assumption by the Successor, by supplemental indenture delivered and satisfactory in form and substance to the Trustee, of the due and punctual payment of the principal of, interest on, and other amounts payable in respect of the Notes and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Company, such Successor will succeed to and be substituted for the Company, with the same effect as if it had been named herein, and, if the Company is to be voluntarily dissolved, the Company will thereupon be released from all obligations hereunder and under the Notes. Such Successor thereupon may cause to be signed, and may issue either in its own name, or in the name of the Company, any or all of the Notes issuable hereunder which theretofore have not been signed by the Company and delivered to the Trustee; and, upon the written order of such Successor, instead of the Company, and subject to all the

terms, conditions, and limitations in this Indenture prescribed, the Trustee will authenticate and will deliver any Notes which previously have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Notes which such Successor thereafter causes to be signed and delivered to the Trustee for that purpose. All the Notes so issued will in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, or conveyance such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

SECTION 11.03. The Trustee, subject to the provisions of Sections 7.01 and 7.02, will receive an Officer's Certificate and Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, or conveyance complies with the provisions of this Article Eleven.

ARTICLE TWELVE

Satisfaction And Discharge Of Indenture, Unclaimed Moneys

SECTION 12.01. If at any time (a) the Company has delivered to the Trustee for cancellation all Notes theretofore authenticated (other than any Notes which have been destroyed, lost, or stolen and which have been replaced or paid as provided in Section 2.07), and not theretofore canceled or (b) all such Notes not theretofore delivered to the Trustee for cancellation will have become due and payable, or are by their terms to become due and payable within one year or are to be called for prepayment or redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of prepayment or redemption, and the Company irrevocably deposits with the Trustee as trust funds, in cash, the entire amount sufficient to pay at Maturity or upon prepayment or redemption all such Notes (other than any Notes which have been mutilated, destroyed, lost, or stolen and which have been replaced or paid for as provided in Section 2.07) not theretofore delivered to the Trustee for cancellation, including principal and interest due or to become due to such date of Maturity, and if in either case the Company also pays

or causes to be paid all other sums payable hereunder by the Company, and delivers to the Trustee an Officer's Certificate stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and an Opinion of Counsel to the same effect, then this Indenture will cease to be of further effect, and the Trustee, on written demand of the Company and at the cost and expense of the Company, will execute proper instruments acknowledging satisfaction and discharge of this Indenture. Notwithstanding clause (b) of the preceding sentence, the Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Notes, and the Company's obligations in Sections 2.05, 2.07, 4.08, 7.06, 7.10, 7.11, 12.03, and 12.04 will survive until the Notes are no longer Outstanding. Thereafter, the Company's obligations in Section 7.06, 12.03, and 12.04 will survive.

SECTION 12.02. All moneys deposited with the Trustee pursuant to Section 12.01 will be held in trust, will not constitute property of the Company, and will be applied by the Trustee to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), to the Holders of the Notes, for the payment or prepayment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereupon for principal, interest, and other amounts payable in respect of the Notes.

SECTION 12.03. In connection with the satisfaction and discharge of this Indenture, all moneys then held by any Paying Agent under the provisions of this Indenture will, upon demand of the Company, be repaid to it or paid to the Trustee and thereupon such Paying Agent will be released from all further liability with respect to such moneys.

SECTION 12.04. Any moneys deposited with the Trustee or any Paying Agent for the payment of the principal of, interest on, and other amounts payable in respect of, the Notes and not applied but remaining unclaimed by the Holders of the Notes for two years after the date upon which such payment has become due, will, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Company by the Trustee or by such Paying Agent on written demand and all liability of the Trustee or such Paying Agent with respect to such trust moneys will thereupon cease; and the Holder of any of the Notes entitled to receive such payment will thereafter look only to

the Company for the payment thereof; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, will, at the expense of the Company, mail to each such Holder and, to the extent the Trustee or Paying Agent, as the case may be, determines in its discretion that such publication is necessary and appropriate, cause to be published in an Authorized Newspaper, a notice that said moneys have not been so applied and that after a date named therein, which will not be less than 30 calendar days from the later of the date of mailing or publication, any unclaimed balance of said moneys then remaining will be returned to the Company.

ARTICLE THIRTEEN

Immunity Of Incorporators, Stockholders, Officers, Directors, And Employees

SECTION 13.01. No recourse under or upon any obligation, covenant, or agreement of this Indenture, or of any Note, or for any claim based thereon or otherwise in respect thereof, will be had against any incorporator, stockholder, officer, director, or employee, as such, past, present, or future, of the Company or of any predecessor or successor entity, either directly or through the Company, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Notes issued hereunder are solely corporate obligations, and that no such personal liability whatever will attach to, or is or will be incurred by, the incorporators, stockholders, officers, directors, or employees, as such, of the Company or of any predecessor or successor entity, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants, or agreements contained in this Indenture or in the Notes or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer, director, or employee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants, or agreements contained in this Indenture or in the Notes or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Notes.

ARTICLE FOURTEEN

Conversion of Notes

SECTION 14.01. (a) The Holder of any Note or Notes will have the right, at its option, at any time prior to final Maturity (except that with respect to any Note or Notes, or any portion thereof, that the Company elects to prepay or redeem as provided in Section 3.01, such right will terminate at the close of business on the fifth Business Day prior to the date scheduled for prepayment or redemption of such Note or Notes or portion thereof, unless the Company defaults in payment due upon prepayment or redemption thereof), to convert, subject to the terms and provisions of this Article Fourteen, the principal of any such Note or Notes (or any portion of the principal thereof which is \$1,000 stated principal amount or an integral multiple of \$1,000 stated principal amount) into fully paid and non-assessable shares of Common Stock at the rate of 27.86 shares of Common Stock for each \$1,000 stated principal amount of Notes or, if an adjustment therein has taken place pursuant to the provisions of Section 14.03, then at the rate as so adjusted (the "Conversion Rate"). Such right is exercised by satisfying the requirements set forth in paragraph 8 of the form of Note included in the recitals to the Indenture. (The conversion of all or a portion, as the case may be, of the principal of any Note into the Common Stock is hereinafter sometimes referred to as the conversion of such Note.) All Notes surrendered to any Conversion Agent for conversion will be delivered to the Trustee for cancellation and be canceled by it and, subject to the next succeeding sentence, no Notes will be issued in lieu thereof. In the case of any Note which is converted in part only, upon such conversion the Company will issue and the Trustee will authenticate for the Holder thereof a new Note or Notes of authorized denominations in an aggregate stated principal amount equal to the unconverted portion of such Note. If a Holder converts more than one Note at the same time, the number of shares of Common Stock issuable upon conversion will be based on the aggregate stated principal amount of the Notes converted. On conversion of a Note, any Original Issue Discount accreted through the time of conversion, as determined pursuant to this Section 14.01, will not be canceled or extinguished, but rather will be deemed to be paid in full to the Holder through the delivery of Common Stock in exchange for the Note being converted. Upon the conversion of any Note, no adjustment in respect of dividends will be made but, on the date of conversion, the Company will deliver through the Conversion Agent a check for any accrued and unpaid interest on the stated principal amount so converted through such date.

(b) As promptly as practicable after the surrender, as provided in this Section 14.01, of any Note or Notes for conversion, the Company will deliver through the Conversion Agent a certificate or certificates representing the number of fully paid and non-assessable shares of Common Stock into which such Note or Notes (or portion thereof) is converted in accordance with the provisions of this Article Fourteen. Subject to the following provisions of this Section 14.01 and of Section 14.03, such conversion will be deemed to have been made immediately prior to the close of business on the date that such Note or Notes have been surrendered in due form for conversion, so that the rights of the Holder of such Note or Notes as a Holder cease with respect to such Note or Notes (or the portion thereof being converted) at such time, and the Person or Persons entitled to receive the shares of Common Stock deliverable upon conversion of such Note or Notes will be treated for all purposes as having become the record holder or holders of such shares of Common Stock at such time, and such conversion will be at the Conversion Rate in effect at such time; provided, however, that no such surrender on any date when the stock transfer books of the Company are closed will be effective to constitute the Person or Persons entitled to receive the shares of Common Stock deliverable upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender will be effective to constitute the Person or Persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such stock transfer books are open, and such conversion will be deemed to have been made at, and will be made at the Conversion Rate in effect at, such time on such next succeeding day. If the last day for the exercise of the conversion right is not on a Business Day, then such conversion right may be exercised on the next succeeding Business Day.

SECTION 14.02. Notwithstanding any other provision of this Indenture, if at any time (a) the Closing Price is at least equal to the Conversion Closing Price for 20 consecutive Trading Days or (b) the aggregate stated principal amount of Notes then Outstanding, together with the aggregate stated principal amount of Original Notes outstanding, is less than \$12.5 million, then, in either case, the Notes will be convertible into Common Stock at the option of the Company in whole, but not in part, on any Interest Payment Date beginning February 15, 1995. Holders of the Notes Outstanding will be entitled to receive shares of Common Stock at the

then-applicable Conversion Rate plus a check in an amount equal to any accrued and unpaid interest on the stated principal amount so converted to the date of such conversion. The Company, or, at the Company's request, the Trustee, in the name of and at the expense of the Company, will mail to each Holder of the Notes written notice of its election to convert the Notes not less than 30 nor more than 60 calendar days prior to the conversion date. Such notice will state: (a) the conversion date, (b) the place or places where the Notes are to be surrendered for exchange for certificates representing shares of Common Stock, and (c) that interest on the Notes will cease to accrue on such conversion date. On the conversion date specified in such notice, the rights of the Holders of the Notes as Holders will cease with respect to the Notes, and the Person or Persons entitled to receive the shares of Common Stock issuable upon such conversion will be treated for all purposes as having become the record holder or holders of such shares of Common Stock.

SECTION 14.03. The Conversion Rate will be subject to adjustment as follows:

(a) If the Company (i) pays a dividend or makes a distribution on any class of its capital stock in shares of Common Stock, (ii) subdivides its outstanding shares of Common Stock into a greater number of shares, or (iii) combines its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate in effect immediately prior thereto will be adjusted as provided below so that the holder of any Note thereafter surrendered for conversion will be entitled to receive the number of shares of Common Stock that it would have owned or have been entitled to receive after the happening of any of the events described above had such Note been converted immediately prior to the happening of such event. An adjustment made pursuant to this Section 14.03(a) will become effective retroactively immediately after the record date in the case of a dividend or distribution and will become effective immediately after the effective date in the case of a subdivision or combination.

(b) If the Company issues rights or warrants on account of its Common Stock, which rights or warrants entitle the holders thereof (for a period expiring within 45 calendar days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as determined in accordance with the

provisions of Section 14.03(e)) at the record date mentioned below, the number of shares of Common Stock into which each \$1,000 stated principal amount of Notes will thereafter be convertible will be determined by multiplying the number of shares of Common Stock into which \$1,000 stated principal amount of Notes was theretofore convertible by a fraction, of which the numerator is the number of shares of Common Stock outstanding on the record date mentioned below plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator is the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at such current market price per share of Common Stock. Such adjustment will be made whenever such rights or warrants are issued, and will become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(c) If the Company distributes to holders of its Common Stock, as such, shares of capital stock (other than Common Stock) or other securities, evidences of indebtedness, or assets (excluding cash dividends or distributions out of retained earnings) of the Company or any Subsidiary of the Company, or rights or warrants to subscribe or purchase shares of capital stock or assets of the Company or any Subsidiary of the Company (excluding those referred to in Section 14.03(b)), then in each such case the number of shares of Common Stock into which each \$1,000 stated principal amount of Notes will thereafter be convertible will be determined by multiplying the number of shares of Common Stock into which such stated principal amount of Notes was theretofore convertible by a fraction, of which the numerator is the total number of outstanding shares of Common Stock multiplied by the current market price per share of Common Stock (as determined in accordance with the provisions of Section 14.03(e)) on the record date mentioned below, and of which the denominator is the total number of outstanding shares of Common Stock multiplied by such current market price per share of Common Stock, less the fair market value (as determined by the Board of Directors, whose determination will be final, conclusive, and binding) of the capital stock, other securities, assets, or evidences of indebtedness so distributed or of such rights or warrants. Such adjustment will be made whenever any such distribution is made, and

will become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution. Notwithstanding the foregoing, in the event that the Company distributes rights or warrants pursuant to the Share Purchase Rights Agreement or otherwise (other than those referred to in Section 14.03(b)) ("Rights") pro rata to holders of Common Stock, the Company may, in lieu of making any adjustment pursuant to this Section 14.03(c), make proper provision so that each Holder of a Note who converts such Note (or any portion thereof) after the record date for such distribution and prior to the expiration or redemption of the Rights will be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion (the "Conversion Shares"), a number of Rights to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of Rights of separate certificates evidencing such Rights (the "Distribution Date"), the same number of Rights to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the Rights; and (ii) if such conversion occurs after the Distribution Date, the same number of Rights to which a holder of the number of shares of Common Stock into which the stated principal amount of the Note so converted was convertible immediately prior to the Distribution Date would have been entitled on the Distribution Date in accordance with the terms and provisions of and applicable to the Rights.

(d) If the Company issues shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock (excluding shares of Common Stock or convertible or exchangeable securities issued in any of the transactions described in paragraphs (a), (b), or (c) of this Section 14.03) for a price per share of Common Stock in the case of an issuance of shares of Common Stock, or for a price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is less than the current market price per share of Common Stock (as determined in accordance with the provisions of Section 14.03(e)) on the date the Company fixed the offering, conversion, or exchange price of such additional shares of Common Stock, then the number of shares of Common Stock into which each \$1,000 stated principal amount of Notes will thereafter be convertible will be determined by

multiplying the number of shares of Common Stock into which such amount of Notes was theretofore convertible by a fraction, the numerator of which will be the number of shares of Common Stock outstanding on such date plus the number of additional shares of Common Stock so issued or issuable upon such conversion or exchange, and the denominator of which will be the number of shares of Common Stock outstanding on such date plus the number of shares of Common Stock which the aggregate offering price received or receivable by the Company for such additional shares of Common Stock would purchase at the current market price per share of Common Stock (as determined in accordance with the provisions of Section 14.03(e)) on such date. Such adjustment will be made whenever such shares of Common Stock or convertible securities are issued, and will become effective immediately after the effective date of such event. No further adjustment will be made upon the actual issue of shares of Common Stock upon conversion or exchange of such securities convertible into or exchangeable for shares of Common Stock.

(e) For the purpose of any computation under Section 14.03(b), (c), or (d), the current market price per share of Common Stock at any date will be deemed to be the average of the Closing Prices for the 30 consecutive Trading Days commencing 45 Trading Days before the day in question.

(f) No adjustment in the Conversion Rate will be required unless such adjustment would require an increase or decrease in the number of shares of Common Stock issuable upon a hypothetical conversion of a Note of at least 1%; provided, however, that any adjustments which by reason of this Section 14.03(f) are not required to be made will be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 14.03 will be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be. Notwithstanding any other provision contained in this Article Fourteen, the Company will be entitled to make such upward adjustments in the Conversion Rate, in addition to those required by this Section 14.03, as it in its discretion determines to be advisable in order that any dividend, subdivision, or combination of shares, distribution of rights or warrants to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders will not be taxable to them.

(g) Whenever the Conversion Rate is adjusted, as herein provided, the Company will promptly deliver to the Trustee (i) an Officer's Certificate in the case of an adjustment pursuant to Section 14.03(a) or (ii) a certificate of a nationally recognized firm of certified public accountants independent with respect to the Company (who may be the independent certified public accountants regularly retained by the Company) in the case of any other adjustment, in each case setting forth the Conversion Rate after such adjustment, the change, if any, in the Target Closing Price resulting from such adjustment, and the date on which such adjustment became or becomes effective and setting forth a brief statement of the facts requiring such adjustment and the computation thereof. Such certificate will be conclusive evidence of the correctness of such adjustment. Thereafter, the Company, or, at the Company's request, the Trustee, in the name of and at the expense of the Company, will mail to each Holder of the Notes at his last address appearing on the Register maintained pursuant to Section 2.05 a notice setting forth the Conversion Rate after such adjustment.

(h) In any case in which this Section 14.03 provides that an upward adjustment of the Conversion Rate will become effective retroactively immediately after a record date or effective date for an event, the Company may defer until the occurrence of such event (i) issuing to the holder of any Note converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon conversion by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 14.04; provided, however, that the Company will deliver to any such Holder appropriate evidence of such Holder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(i) Notwithstanding anything to the contrary contained in this Section 14.03, the Conversion Rate will not be subject to adjustment as a result of the issuance, exercise, or conversion of (i) shares of Common Stock, or of options, rights, or warrants to purchase, or securities exchangeable for or convertible into, shares of Common Stock, pursuant to the Plan of Reorganization, (ii) any issuance of shares of Common Stock, or of options, rights,

or warrants to purchase, or securities exchangeable for or convertible into, shares of Common Stock, in accordance with the Equity Plan or any other plan adopted by the Board of Directors for the benefit of the employees or Directors of the Company or any of its Subsidiaries, (iii) any issuance of shares of Common Stock in connection with a Company-sponsored plan for reinvestment of dividends or interest, (iv) any issuance of share purchase rights pursuant to the Share Purchase Rights Agreement (except as provided in Section 14.03(c)), or any similar successor plan, or (v) any issuance of shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock pursuant to an underwritten public offering for a price per share of Common Stock in the case of an issuance of shares of Common Stock, or for a price per share of Common Stock initially deliverable upon conversion or exchange of such securities, that is equal to or greater than 95% of the Closing Price on the date the Company fixed the offering, conversion, or exchange price of such additional shares of Common Stock. No adjustment in the Conversion Rate will be made for a change in the par value of the shares of Common Stock.

SECTION 14.04. No fractional shares or scrip representing fractional shares will be issued upon the conversion of any Note or Notes. If more than one Note is surrendered for conversion at one time by the same Holder, the number of full shares issuable upon conversion thereof will be computed on the basis of the aggregate stated principal amount of the Notes (or specified portions thereof) so surrendered. If the conversion of any Note or Notes results in a fraction, the Company will deliver to such Holder through the Conversion Agent a check in an amount equal to the product of such fraction and the Closing Price on the Trading Day preceding the day of conversion.

SECTION 14.05. (a) In case of (i) any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or (ii) any consolidation, merger, sale, lease, transfer, or other disposition pursuant to Article Eleven, the Company or the Successor, as the case may be, will execute with the Trustee an indenture supplemental hereto, in form satisfactory to the Trustee, and, in the case of a Successor, providing that the Holder of each Note then Outstanding will have the right thereafter, during the period such Note is convertible as specified in Section 14.01, to

convert such Note into the kind and amount of shares of stock, other securities, cash, and other property receivable upon such reclassification, change, consolidation, merger, sale, lease, transfer, or other disposition by a holder of the number of shares of Common Stock into which such Note could have been converted immediately prior to such reclassification, change, consolidation, merger, sale, lease, transfer, or other disposition, assuming, in the case of any consolidation, merger, sale, lease, transfer, or other disposition, such holder of Common Stock (i) is not a Person with or into which the Company consolidated or merged or which merged into the Company or to which such sale, lease, transfer, or other disposition was made, as the case may be ("Constituent Person"), or an Affiliate of a Constituent Person and (ii) failed to exercise his rights of election, if any, as to the kind or amount of shares of stock, other securities, cash, and other property receivable upon such consolidation, merger, sale, lease, transfer, or other disposition (provided, that if the kind or amount of shares of stock, other securities, cash, and other property receivable upon such consolidation, merger, sale, lease, transfer, or other disposition is not the same for each share of Common Stock held immediately prior to such consolidation, merger, sale, lease, transfer, or other disposition by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election have not been exercised ("Non-Electing Share"), then for the purpose of this Section, the kind and amount of shares of stock, other securities, cash, and other property receivable upon such consolidation, merger, sale, lease, transfer, or other disposition by each Non-Electing Share will be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares). Such supplemental agreement will provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in this Article Fourteen. The foregoing, however, will not in any way affect the right that a Holder of a Note may otherwise have, pursuant to the last sentence of Section 14.03(c), to receive Rights upon conversion of such Note. The provisions of this Section 14.05 will similarly apply to successive reclassifications, changes, consolidations, mergers, sales, leases, transfers, or other dispositions.

(b) Neither the Trustee nor any Conversion Agent will be under any responsibility to determine the correctness of any provisions contained in any such supplemental indenture relating either to the kind or amount of shares of stock, other securities, cash, or other property receivable by holders of Notes upon the conversion of their Notes after any such

reclassification, change, consolidation, merger, sale, lease, transfer, or other disposition or to any such adjustment, and the Trustee or any Conversion Agent may accept as conclusive evidence of the correctness of any such provisions, and will be protected in relying upon, an Opinion of Counsel with respect thereto, which the Company will cause to be furnished to the Trustee or any Conversion Agent upon request.

SECTION 14.06. If:

- (a) the Company declares a dividend (or any other distribution) on the Common Stock (other than cash dividends or distributions out of retained earnings and dividends payable in Common Stock); or
- (b) the Company authorizes the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or of any other rights or warrants; or
- (c) there occurs any reclassification or change of the Common Stock (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or the conveyance, transfer, or lease of the properties and assets of the Company substantially as an entirety; or
- (d) there occurs a voluntary or involuntary dissolution, liquidation, or winding up of the Company;

in each case otherwise than pursuant to the Plan of Reorganization or any agreement or transaction entered into pursuant to the Plan of Reorganization, then the Company, or, at the Company's request, the Trustee, in the name of and at the expense of the Company, will mail to each Holder of Notes at his last address appearing on the Register maintained pursuant to Section 2.05, as promptly as possible but in any event at least 15 calendar days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such dividend, distribution, or grant of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, or rights, or warrants are to be determined or (ii) the date on which such reclassification, change, consolidation, merger,

conveyance, transfer, lease, dissolution, liquidation, or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record will be entitled to exchange their shares of Common Stock for securities or cash or other property deliverable upon such reclassification, change, consolidation, merger, conveyance, transfer, lease, dissolution, liquidation, or winding up.

SECTION 14.07. (a) The Company will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon conversion of Notes as herein provided, such number of shares of Common Stock as are then issuable upon the conversion of all Notes Outstanding. The Company covenants that all shares of Common Stock which are so issuable will, when issued, be duly and validly issued and fully paid and non-assessable. Shares of Common Stock issued upon conversion of Notes as herein provided will not be "Subject Shares" within the meaning of the Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of Federated Department Stores, Inc.

(b) Upon conversion of Notes as herein provided, there will be credited to the appropriate Common Stock capital accounts from the consideration for which the shares of Common Stock issuable upon such conversion are issued an amount per share of Common Stock so issued as determined by the Company, which amount will not be less than the amount required by law and by the Company's certificate of incorporation as in effect on the date of such conversion.

SECTION 14.08. The issuance of certificates for shares of Common Stock upon the conversion of Notes will be made without charge to the converting Holders of Notes for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates will be issued in the respective names of, or in such names as may be directed by, the Holders of the Notes converted; provided, however, that the Company will not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the Holder of the Note converted, and the Company will not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof have paid to the Company the amount of such tax or have established to the satisfaction of the Company that such tax has been paid or is not applicable.

SECTION 14.09. Neither the Trustee nor any Conversion Agent will at any time be under any duty or responsibility to any Holder of Notes to determine whether any facts exist which may require any adjustment of the Conversion Rate applicable thereto, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any Conversion Agent will be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock or of any securities or cash or other property which may at any time be issued or delivered upon the conversion of any Note or make any representation with respect thereto. Neither the Trustee nor any Conversion Agent will be responsible for any failure of the Company to make any cash payment or to issue, transfer, or deliver any shares of Common Stock or stock certificates or other securities or cash or other property upon the surrender of any Note for the purpose of conversion or to comply with any of the covenants of the Company contained in this Article Fourteen.

ARTICLE FIFTEEN

Miscellaneous Provisions

SECTION 15.01. All the covenants, stipulations, promises, and agreements in this Indenture contained by or on behalf of the Company will bind its successors and assigns, whether so expressed or not.

SECTION 15.02. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any Board of Directors, committee, or officer of the Company will and may be done and performed with like force and effect by the like board of directors, committee, or officer of any Successor.

SECTION 15.03. Any notice or demand which by any provisions of this Indenture is required or permitted to be given or served by the Trustee or by the Holders to or on the Company will be delivered by hand or sent by certified or registered mail postage prepaid addressed (until another address is filed by the Company with the Trustee), as follows: Federated Department Stores, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202 (marked for the attention of both the Chief Financial Officer and the General Counsel). Any notice, direction, request, or demand by any Holder or by the Company

to or upon the Trustee will be delivered by hand or sent by certified or registered mail postage prepaid addressed (until another address is filed by the Trustee with the Company) as follows: The First National Bank of Boston, 150 Royall Street, Canton, Massachusetts 02021 (marked for the attention of the Corporate Trust Manager). Where this Indenture provides for notice to Holders of any event, such notice will be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid, to each Holder affected by such event, at his address as it appears in the Note register.

SECTION 15.04. This Indenture and each Note will be deemed to be a contract made under the laws of the State of New York, and for all purposes will be construed in accordance with the laws of said State, without giving effect to principles of conflict of laws of such State.

SECTION 15.05. (a) Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company will furnish to the Trustee an Officer's Certificate (other than Officer's Certificates provided pursuant to Section 4.15) stating that all conditions precedent (including any covenant compliance with which constitutes a condition precedent) provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such document is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture will include (i) a statement that the person making such certificate or opinion has read such covenant or condition; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 15.06. In any case where the date of Stated Maturity of interest on, the date of Maturity of principal of, or the date of Maturity of any other payments with respect to, the Notes or the Prepayment Date is not a Business Day, then payment of interest, principal, or other amounts need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of Stated Maturity, or the date of Maturity, or the Prepayment Date, and no interest will accrue for the period after such date.

SECTION 15.07. If any provision of this Indenture limits, qualifies, or conflicts with the duties imposed on any Person by Sections 310 to and including 317 of the Trust Indenture Act (including provisions automatically deemed included in this Indenture pursuant to the Trust Indenture Act unless this Indenture provides that such provisions are excluded), which are deemed to be a part of and govern this Indenture, whether or not contained herein, then such imposed duties will control.

SECTION 15.08. In case any one or more of the provisions contained in this Indenture or in the Notes is for any reason held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions of this Indenture or of the Notes, but this Indenture and such Notes will be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 15.09. This Indenture may be executed in any number of counterparts, each of which will be an original; but such counterparts will together constitute but one and the same instrument.

SECTION 15.10. (a) As used in this Indenture, the term "or" is disjunctive but not necessarily exclusive.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

(c) All accounting terms not specifically defined herein will be construed in conformity with GAAP and all accounting determinations required to be made pursuant hereto will, unless expressly otherwise provided herein, be made in conformity with GAAP.

(d) The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Indenture as a whole, and not to any particular article, section, subsection, or clause in this Indenture. References herein to an exhibit, schedule, article, section, subsection, or clause refer to the appropriate exhibit or schedule to, or article, section, subsection, or clause in this Indenture.

(e) This Indenture (together with the exhibits and schedule hereto, and any other written instrument or document specifically referred to herein and all other contemporaneous writings signed by the Company and the Trustee and referring expressly to this Section 15.10) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof.

(f) This Indenture supersedes all prior agreements and understandings relating to this subject matter hereof, and prior drafts of this Indenture will not be given any effect in interpreting this Indenture or any provision hereof.

THE FIRST NATIONAL BANK OF BOSTON hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, FEDERATED DEPARTMENT STORES, INC. has caused this Indenture to be duly signed and acknowledged by one of its officers, thereunto duly authorized, and its corporate seal or a facsimile thereof to be affixed hereunto, and the same to be attested by its Treasurer or by its Secretary or an Assistant Treasurer or Assistant Secretary; and the Trustee has caused this Indenture to be duly signed and acknowledged by one of its officers, thereunto duly authorized, and its corporate seal or a facsimile thereof to be affixed hereunto, and the same to be attested by one of its Assistant Cashiers.

FEDERATED DEPARTMENT STORES, INC.

[SEAL]

By: /s/ Ronald W. Tysoe
Name: Ronald W. Tysoe
Title: Vice Chairman & CFO

Attest:

/s/ Boris Auerbach
Name: Boris Auerbach
Title: Secretary

THE FIRST NATIONAL BANK OF BOSTON

[SEAL]

By: /s/ G. Patrick McEnroe
Name: G. Patrick McEnroe
Title: Account Manager

Attest:

/s/ Donna Sbano
Name: Donna Sbano
Title: Assistant Cashier

STATE OF HAMILTON)
)
COUNTY OF OHIO) ss:

On this 8th day of April, 1993, before me personally
came Ronald W. Tysoe, to me known, who,
being by me duly sworn, did depose and say that he/she resides
at Cincinnati, Ohio; that he/she is Vice Chairman
and CFO of FEDERATED DEPARTMENT STORES, INC., one of the
entities described in and which executed the above instrument;
that he/she knows the seal of said entity; that the seal or a
facsimile thereof affixed to the said instrument is such seal
or a facsimile thereof; that it was so affixed by authority of
the Board of Directors of said entity, and that he/she signed
his/her name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year in this certificate
first above written.

/s/ Janet R. Patterson
Notary Public

COMMONWEALTH OF MASSACHUSETTS)
COUNTY OF NORFOLK) ss:
)

On this 9th day of April, 1993, before me personally
came G. Patrick McEnroe, to me known, who, being by
me duly sworn, did depose and say that he resides at 7A Abbott
Street, Wellesley, MA; that he is a Account
Manager of THE FIRST NATIONAL BANK OF BOSTON, one of the
entities described in and which executed the above instrument;
that he knows the seal or a facsimile thereof of said entity,
that the seal or a facsimile thereof affixed to the said
instrument is such seal or a facsimile thereof; that it was so
affixed by authority of the Board of Directors of said entity,
and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my official seal the day and year in this certificate
first above written.

/s/ Antonia Lopes
Notary Public

SCHEDULE I

Debt

SCHEDULE I

DEBT

Estimated Beginning Debt Balances
on Effective Date
(Thousands)

Receivables Facilities --

Federated
Allied

| | |
|---------|-----------|
| 690,433 | |
| 478,063 | |
| ----- | |
| | 1,168,496 |

| | |
|---|---------|
| Series A Secured Notes | 472,809 |
| Series B Secured Notes | 554,243 |
| Series C Secured Notes | 182,595 |
| Series D Secured Notes | 308,853 |
| Series E Secured Notes | 93,019 |
| Senior Convertible Discount Notes | 256,926 |
| Subsidiary Trade Obligations | 101,500 |
| Administrative Tax Notes | 38,170 |
| Note Monetization (FDS) | 352,000 |
| Capitalized Leases (see accompanying schedule) | 62,246 |
| IBM EPDS (FDS) | 1,787 |
| Lincoln Life Mortgage (FDS) | 932 |
| Allied-Prudential Real Estate Loan | 363,205 |

Other Secured Real Estate (Allied) --

| Com. General | Location: | |
|--------------------|-----------|------------------|
| Equitable | Mass. | 148 |
| Equitable | Utah | 389 |
| Met. Life | MASS. | 304 |
| John Hancock | Mass. | 1,641 |
| American General | Florida | 1,660 |
| New England Mutual | Florida | 473 |
| | Wash. | 2,871 |
| | ----- | |
| | | 7,184 |
| | | <u>2,939,687</u> |

Note: Amounts shown are primarily based on currently available information. Estimates shown in the Plan of Reorganization are used only if revised amounts are not available.

Capitalized Leases -- 2001
 (\$ thousands)

| | | Property Type (Real) <u>Personal</u> | Description | Debt Balance |
|-----------|-------------------|---|--------------------------------------|-----------------|
| Federated | Bloomingdale's | Real | Short Hills | 3,555 |
| | Bloomingdale's | Real | Chestnut Hills II | 1,983 |
| | Bloomingdale's | Personal | Salers (Waste Mgt.) | 19 |
| | Lazarus | Real | Beechmont | 359 |
| | Lazarus (Block's) | Real | College Hall | 1,302 |
| | Rich's | Real | Service Building | 2,012 |
| | Abraham & Strauss | Real | Huntington | 42 |
| | Abraham & Strauss | Real | Smithhaven | 2,309 |
| | Abraham & Strauss | Real | Woodbridge | 2,917 |
| | Abraham & Strauss | Real | Distribution Center | 9,121 |
| | Sabre | Personal | DASD Disk Drive | 307 |
| | Sabre | Personal | 3090-600 Computer | 3,972 |
| | Sabre | Personal | System 85 | <u>112</u> |
| | | | | <u>28,050</u> |
| Allied | Bon Marche | Real | Bellevue | 9,707 |
| | Bon Marche | Real | Roseburg | 1,199 |
| | Bon Marche | Real | Moscow | 664 |
| | Bon Marche | Real | Coos Bay (North Bend) | 909 |
| | Bon Marche | Real | Seattle Garage | 627 |
| | Bon Marche | Real | Yakima | 312 |
| | Bon Marche | Real | Olympia | 1,740 |
| | Tukwila | Real | Service Center | 1,428 |
| | Tukwila | Personal | Service Center | 977 |
| | Kaas (Florida) | Real | Desoto (Bradenton) | 1,227 |
| | Jordan Marsh | Real | Braintree (Basement) | 101 |
| | Jordan Marsh | Real | Methuen | 955 |
| | Jordan Marsh | Real | Trumbull | 521 |
| | Stern's | Real | Brookhaven | 2,294 |
| | Stern's | Real | Valley Stream | 3,714 |
| | Stern's | Real | Status of Liberty District Center | 4,234 |
| | Stern's | Real | Flushing | 973 |
| | Stern's | Real | Echelon | <u>2,194</u> |
| | | | | <u>14,198</u> |
| | | | <u>Total</u> | <u>\$22,246</u> |

EXHIBIT 10.15

DEPOSITORY AGREEMENT

as of December 31, 1992

Chemical Bank
55 Water Street
New York, New York 10041
Attention: Corporate Trustee
Administration Department

Re: Deerfield Funding Corporation Commercial Paper

Ladies and Gentlemen:

This will confirm the arrangements made with you by the undersigned, Deerfield Funding Corporation (the "CP Issuer") and Federated Department Stores, Inc. ("Federated"), whereby you have agreed to act as depositary for safekeeping of certain short-term promissory notes of the CP Issuer which may be sold in the commercial paper market (the "Commercial Paper" or "Commercial Paper Notes") and as issuing and paying agent (in such capacities, the "Depository") on behalf of the CP Issuer in connection with the issuance and payment of the Commercial Paper, and to undertake certain obligations, including as fiduciary or agent as described below, on behalf of holders of the Commercial Paper.

The Commercial Paper to be issued, if any, will be entitled to the benefits of this Depositary Agreement (this "Agreement"), and will be issued on the terms and subject to the conditions set forth herein and pursuant to a certain Liquidity Agreement, dated as of December 31, 1992 (as supplemented or otherwise amended from time to time, the "Liquidity Agreement"), among the CP Issuer, the banks named therein (the "Banks"), Federated, and Credit Suisse, New York Branch, as liquidity agent (the "Liquidity Agent").

The CP Issuer wishes to have its commercial paper program eligible for inclusion by The Depository Trust Company ("DTC") in DTC's Corporate Commercial Paper Program: Book-Entry-Only ("DTC's CP Program") and, in connection therewith, to appoint the Depository as the CP Issuer's issuing and paying agent for the issuance and distribution of Commercial Paper Notes in book-entry-only form (the "BEO Notes") through DTC, and the Depository is

agreeable thereto. (Any reference to "Commercial Paper," "Commercial Paper Notes" or "Notes" shall mean and refer collectively to notes issued in certificated form (the "Certificated Notes") and BEO Notes).

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth for such terms in Annex X to the Liquidity Agreement and, to the extent capitalized terms are not defined herein or in Annex X to the Liquidity Agreement, the meanings assigned to such terms in the Pooling and Servicing Agreement and Variable Funding Supplement, which definitions are incorporated by reference herein.

The Commercial Paper Notes to be issued, if any, will be entitled to the benefits of this Agreement and the Security Agreement.

This Agreement will govern your rights, powers and duties as Depositary, and no implied covenants shall be read into this Agreement against you. Whenever the word "party" is used herein, it is to be understood to include the Collateral Agent unless the context indicates otherwise. When used herein, the term "Business Day" means any day other than a Saturday, Sunday or any day on which banking institutions in the State of New York are authorized by law or executive order to close.

SECTION 1. Establishment of Commercial Paper Account; Proceeds of Commercial Paper; Security Interest.

(a) For the purposes of this Agreement and the Liquidity Agreement, you have established, for the exclusive benefit of the holders, from time to time, of the outstanding Commercial Paper, a segregated non-interest-bearing trust account in the trust department of Chemical Bank, account No. C1-97963 (being referred to herein and in the Liquidity Agreement as the "Commercial Paper Account") over which you shall have exclusive control and the sole right of withdrawal. The Depositary shall keep accurate records of the date and amount of each deposit made in the Commercial Paper Account and each disbursement from the Commercial Paper Account for a period of three years following the date of such deposit or disbursement. All proceeds of the sale of Commercial Paper authenticated and delivered by you hereunder shall be deposited by you in the Commercial Paper Account to the extent necessary to provide for the payment of unpaid matured Commercial Paper or Commercial Paper maturing on such day. All

proceeds of Refunding Loans shall be deposited by the Liquidity Agent in the Commercial Paper Account. Upon receipt by the Depositary of the Daily Report for such day, the proceeds in excess of the amount required to pay unpaid matured Commercial Paper or Commercial Paper maturing on such day, shall, pursuant to the instructions contained in the Daily Report, first, be deposited in the indicated amount in the Principal Account to repay Loans, second, be deposited in the indicated amount in the Transferor Operating Account to facilitate the purchase of VFC Additional Class A Invested Amounts, third, be deposited in the indicated amount in the Principal Account to eliminate any Borrowing Base Deficiency and fourth, to the extent of any remaining proceeds, be deposited in the Principal Account and/or the Interest Account. All funds at any time on deposit in the Commercial Paper Account shall be held by you for the exclusive benefit of the holders, from time to time, of the outstanding Commercial Paper in accordance with the terms of this Agreement and shall not be invested by you. Except as otherwise provided in Section 9(b) hereof, no application shall be made of such funds except to pay matured Commercial Paper in accordance with the terms hereof and to pay any remaining unclaimed funds over to the CP Issuer in accordance with the provisions hereof. The CP Issuer shall have no legal, equitable or beneficial interest in the Commercial Paper Account. You shall promptly notify the Transferor, the CP Issuer, the Liquidity Agent and the Collateral Agent if a Designated Person (as hereinafter defined) has received notice that the Commercial Paper Account or any funds on deposit in the Commercial Paper Account shall become subject to any writ, judgment, warrant or attachment, execution or similar process.

(b) The CP Issuer, in consideration of the purchase and acceptance of the Commercial Paper by the holders thereof, and in order to secure the payment of all amounts due on all Commercial Paper issued and outstanding hereunder, has granted, sold, warranted, demised, conveyed, assigned, transferred, pledged, and set over to the Collateral Agent and granted to the Collateral Agent, for the benefit of the Liquidity Agent, the Liquidity Banks, the Depositary and the holders from time to time of the outstanding Commercial Paper, all of its right, title and interest in and to the Collateral.

(c) No holder of Commercial Paper shall have any right directly to enforce the security interests granted to the Collateral Agent under the Security Agreement or to take any other action under this Agreement unless you have failed to take action requested to be taken in accordance with the next sentence of this paragraph (c). No holder of Commercial Paper shall have any right to require you to take any action under this Agreement, except that the holder or holders of not less than 51% of the CP Matured Value of Commercial Paper which has not been paid or provided for by a payment to the Commercial Paper Account as of the date of the request provided for herein (for purposes of this Section 1(c), called "Unpaid Holders") may, in writing, request you to take any action if (i) such Unpaid Holders shall have given you written notice of the existence of a default in the payment of outstanding Commercial Paper, (ii) such Unpaid Holders shall have offered you indemnity (which shall be satisfactory to you in form and substance) against all costs, expenses (including, without limitation, counsel fees and expenses), obligations and liabilities incurred in connection therewith, and (iii) within 10 days of receipt of the notice specified in clause (i) above (or if there shall be more than one notice, within 10 days of receipt of the notice which, when aggregated with notices previously received, constitutes notice from holders of not less than 51% of the CP Matured Value of Commercial Paper which has not been paid or provided for by a payment to the Commercial Paper Account as of the date of receipt of such notice), such default shall not have been cured and no inconsistent direction shall have been given to you by the Unpaid Holders of at least 51% of the CP Matured Value which has not been paid or provided for by payment to the Commercial Paper Account as of the date of the notice given pursuant to clause (i) above. In no event shall the Depositary be liable for any action taken at the direction of Commercial Paper holders pursuant to the terms of the preceding sentence. The Depositary shall not be required to take any action (except as expressly required herein) or exercise any discretion, but (except as expressly required herein) shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Unpaid Holders pursuant to the provisions hereof, and such instructions shall be binding upon all holders of Commercial Paper; provided, however, that the Depositary shall not be required to take any action which exposes the Depositary to personal liability

or which is contrary to any of the Facilities Documents or applicable law; and provided, further, that the Depository shall not be required to expend or risk its own funds or otherwise incur any financial liability in connection with the exercise of any remedies under the Facilities Documents, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Notwithstanding the foregoing, so long as the Liquidity Agent is the Controlling Party, the parties confirm that various rights, including the right to direct the exercise of rights and remedies under the Security Agreement, have been granted to the Controlling Party, acting for its benefit and the benefit of the Banks, and that the Controlling Party, in exercising or refraining from exercising such rights, is not acting as a fiduciary or agent for or otherwise on behalf of the holders of Commercial Paper and in no event shall have any liability to any holder of Commercial Paper, the Depository or the CP Issuer for exercising or refraining from exercising such rights, except for liability arising from the Controlling Party's own fraud, gross negligence or willful misconduct. Nothing contained in this clause (b) shall (x) limit the obligation of the Depository to make any request for Refunding Loans at the time required by Section 5(b) hereof and (y) relieve any Liquidity Bank from its obligations to make Loans pursuant to and in accordance with the terms of the Liquidity Agreement.

SECTION 2. Commercial Paper Delivered for Safekeeping. From time to time during the term of this Agreement the CP Issuer may deliver to your Commercial Paper Department, 55 Water Street, New York, New York, 10041, Certificated Notes in substantially the form of Exhibit A to this Agreement which shall be consecutively numbered and bear such other identification as the CP Issuer may deem appropriate and shall be manually signed or signed in facsimile in such manner as is acceptable to you on behalf of the CP Issuer by an Authorized Representative (as hereinafter defined) (notwithstanding whether such person shall thereafter cease to be an Authorized Representative), but shall otherwise not be completed. You shall not have any responsibility to the CP Issuer to determine by whom or by what means a facsimile signature may have been affixed on the Certificated Notes, or to determine whether any facsimile or manual signature is genuine if such facsimile or manual signature resembles the specimen signature(s) filed with you by the CP Issuer

in the Incumbency Certificate (as defined below) most recently delivered to you. Certificated Notes delivered to you at any time shall be accompanied by a letter from the CP Issuer identifying the Certificated Notes transmitted therewith, and you shall acknowledge receipt of such Certificated Notes on the copy of such letter or some other form of written receipt deemed appropriate by you at the time of delivery to you of such Certificated Notes. Pending the issuance of Certificated Notes as provided in Section 3 hereof, all Certificated Notes delivered to you shall be held by you for the account of the CP Issuer for safekeeping in accordance with the Depository's customary practices.

With the delivery of this Agreement, the CP Issuer is furnishing to you, and from time to time hereafter may furnish to you, a certificate (substantially in the form of Exhibit C hereto) (hereinafter called an "Incumbency Certificate") of the Secretary or an Assistant Secretary of the CP Issuer, identifying and certifying the incumbency and specimen signatures of officers or agents of the CP Issuer authorized to execute Commercial Paper on behalf of the CP Issuer (such officers and agents being hereinafter called "Authorized Representatives") and also identifying and certifying the incumbency and specimen signatures of other officers or agents of the CP Issuer authorized to act, and to give and receive instructions and notices, on behalf of the CP Issuer hereunder (such other officers and agents being hereinafter called "Authorized Agents"). The CP Issuer may appoint an agent to perform such of its duties as the CP Issuer is required to perform hereunder. Until you receive a subsequent Incumbency Certificate, or a Designated Person (as defined below) shall have actual knowledge of the lack of authority of any individual, you shall be entitled to rely on the last such Certificate delivered to you for purposes of determining the Authorized Representatives and Authorized Agents. In case any person authorized herein to sign Commercial Paper shall have signed any of the Commercial Paper and then shall have subsequently ceased to be an Authorized Representative before the Commercial Paper so signed has been issued by the Depository (or if such Commercial Paper shall bear facsimile signatures of such person), such Commercial Paper nevertheless may be issued as though the person who signed such Commercial Paper had not ceased to be an Authorized Representative.

Upon your execution of this Agreement, and from time to time thereafter as you choose, you shall deliver to the CP Issuer a certificate, substantially in the form of Exhibit D hereto (a "Depository Authorization Letter"), of an officer of the Depository, identifying and certifying the incumbency and specimen signatures of (i) persons ("Authenticating Representatives") who are authorized to give receipt for, complete, authenticate and deliver Commercial Paper and (ii) persons ("Designated Persons") who are otherwise authorized to act on behalf of the Depository hereunder and to give and receive notices and instructions on its behalf hereunder. Until the CP Issuer receives a subsequent Depository Authorization Letter or written notice from the Depository to the contrary, the CP Issuer shall be entitled to rely on the last such Depository Authorization Letter delivered to the CP Issuer for purposes of determining Authenticating Representatives and Designated Persons. The CP Issuer shall be entitled conclusively to assume that each Designated Person is otherwise authorized to act on behalf of the Depository hereunder, and to give and receive notices, requests, instructions and demands on the Depository's behalf.

SECTION 3. Issuance of Commercial Paper.

(a) From time to time during the term of this Agreement, and upon your timely receipt of written (including electronically transmitted writings) or telephonic instructions (subject to written confirmation, in the case of telephonic instructions, as provided in paragraph (b) of this Section 3), on the date of issuance of any Commercial Paper designated in such instructions by an Authorized Representative or an Authorized Agent, you shall in accordance with instructions so received not later than 1:00 p.m. (New York City time) in the case of BEO Notes, provide instructions to DTC in accordance with Section 10 hereof, and in the case of Certificated Notes, withdraw such designated Certificated Notes from safekeeping and take the following action with respect to each such Certificated Note:

(i) date each Certificated Note the date of issuance thereof (which shall be a Business Day) and insert the maturity date thereof (which shall be a Business Day and which shall not be later than the earlier to occur of (A) the 270th day next succeeding the date of issuance thereof, and (B) five Business

Days prior to the earliest to occur of (1) the Scheduled Maturity Date (which, until you are advised in writing to the contrary by the Liquidity Agent, shall be January 15, 2001), (2) the latest Expiration Date in effect for any Bank (which, until you are advised in writing to the contrary by the Liquidity Agent, shall be January 3, 1994), and (3) such other date as may be specified in the Daily Report), insert the CP Matured Value of such Certificated Note (which shall be at least \$200,000 (\$10,000 if you are notified by such issuance instructions that such Certificated Note is purchased by a CP Dealer for its own account) and integral multiples of \$1,000 thereof) in figures and, if so directed by an Authorized Representative only, strike the word "Bearer" (if applicable) and insert the name, address and taxpayer identification number of the payee thereof;

(ii) authenticate each such Certificated Note by countersigning it for authentication in the space provided thereon;

(iii) deliver each such Certificated Note to the CP Dealer designated in such instructions, or to the consignee, if any, designated by such CP Dealer for the account of such CP Dealer against receipt or payment of the amount set forth in the instructions of the CP Issuer delivered in respect thereof as provided in Section 4 hereof; and

(iv) send a copy of each Certificated Note to the CP Issuer and, if requested in writing by the Liquidity Agent, the Liquidity Agent on or promptly following the date of issuance thereof.

provided, however, that no Commercial Paper shall be delivered by you if, to the knowledge of an Authenticating Agent at the time of such delivery, payments cannot, or will not be able to, be made when due on Commercial Paper as a result of an event specified in the last paragraph of Section 8.01 of the Liquidity Agreement for the duration of the time period specified in such paragraph or after giving effect to the issuance and delivery of such Commercial Paper and the application of the proceeds

thereof, (A) the sum of the Aggregate CP Matured Value and the outstanding principal amount of all Revolving Loans and Refunding Loans made hereunder would exceed the Liquidity Commitment or (B) the sum of the Principal Component of the Aggregate CP Matured Value and the outstanding principal amount of all Revolving Loans and Refunding Loans would exceed the Available Liquidity Commitment. In this connection, the Servicer is required under the Pooling and Servicing Agreement to notify you by providing you with a copy of the Daily Report as to the Aggregate CP Matured Value of Outstanding Commercial Paper and the Principal Component thereof, the principal amount of all Revolving Loans and Refunding Loans outstanding pursuant to the Liquidity Agreement, the Available Liquidity Commitment and the Liquidity Commitment and any change in any of such amounts, and at the time of delivering Commercial Paper you may rely on the most recently prepared Daily Report received by you in determining the amount of Commercial Paper that may then be delivered by you; provided, however, that if on any day (x) your records reflect that the actual Aggregate CP Matured Value of Commercial Paper is an amount different than the Aggregate CP Matured Value of Outstanding Commercial Paper as referenced in such Daily Report or (y) the principal amount of outstanding Liquidity Loans as referenced in such Daily Report is different from the amount set forth in the written notice received by you on such day from the Liquidity Agent pursuant to the Liquidity Agreement, you shall in the case of (x) above, rely on your records as to the actual Aggregate CP Matured Value of Outstanding Commercial Paper and in the case of (y) above, rely on such written notice from the Liquidity Agent, in each case in determining the amount of Commercial Paper that may then be delivered by you. In addition, you shall notify the Servicer, the Liquidity Agent and the CP Issuer promptly on any Business Day on which a Daily Report is delivered to you and on which your records reflect an Aggregate CP Matured Value at the close of business on such Business Day that is different than the Aggregate CP Matured Value set forth in such Daily Report; provided, however, that you shall have no duty or obligation on any day to verify the accuracy of the Aggregate CP Matured Value set forth in any Daily Report. Only non-interest bearing discount Commercial Paper shall be issued.

You shall be completely protected in relying on all instructions with respect to the issuance of Commer-

cial Paper given to you by an Authorized Representative or an Authorized Agent pursuant to this Section 3, provided that such issuance is within the limits of this Section 3(a).

(b) No Commercial Paper will be authenticated and delivered by you unless you shall have received, in your reasonable judgment, complete instructions from an Authorized Representative or an Authorized Agent as to the matters specified above in clauses (i) and (iii) of paragraph (a) of this Section 3 and you have performed the calculations required under the proviso of Section 3(a) above and are satisfied that such test is met. Any instructions given to you by an Authorized Representative to authenticate and deliver Commercial Paper hereunder shall constitute a representation and warranty on the part of the CP Issuer that the issuance of such Commercial Paper (i) will not violate or materially contravene any applicable law, rule, regulation, order or contractual agreement binding upon the CP Issuer (including, as appropriate and without limitation, any of the Facilities Documents to which the CP Issuer is a party and any securities law or law pertaining to investment companies or any order of any court, governmental agency or regulatory authority), (ii) is in the form or within the amount of Commercial Paper the CP Issuer is authorized to issue, and (iii) will be in conformity with the terms of the Liquidity Agreement and the other Facilities Documents to which the CP Issuer is a party.

Notwithstanding any instructions received by you from an Authorized Representative or any Authorized Agent, you shall use your best efforts to cease delivery of Commercial Paper (other than Commercial Paper which you are notified in writing by a CP Dealer was sold by such CP Dealer prior to its receipt of instructions from the Liquidity Agent to cease selling Commercial Paper) if a Designated Person shall receive, prior to the time of delivery of the relevant Commercial Paper to such CP Dealer, instructions from the Liquidity Agent not to issue Commercial Paper, which instructions may be specific with respect to a particular issue of Commercial Paper or may be general and applicable to all Commercial Paper proposed to be issued after receipt of such instructions until revoked or superseded by further instructions from the party originally giving the same. If the Depositary shall have received written notice from the Liquidity Agent that, notwithstanding the occurrence of certain

events described in Section 2.01(a) of the Liquidity Agreement, Commercial Paper may continue to be issued, prior to any additional issuance of Commercial Paper following the occurrence of such event, the Depositary shall provide a copy of such notice to the Rating Agencies. You shall incur no liability for acting in accordance with any instructions reasonably believed by you to have been given by the Liquidity Agent.

Any telephonic instructions given to you by an Authorized Representative or an Authorized Agent shall be confirmed by such Authorized Representative or Authorized Agent in writing within twenty-four hours after the same are received by you (according to your written records), and you shall incur no liability for acting in accordance with any such telephonic instructions reasonably believed by you in good faith to have been given by an Authorized Agent or Authorized Representative. Should the CP Issuer use the Depositary's Commercial Paper Management System (the "CPMS System") to transmit to the Depositary the CP Issuer's instructions for the issuance of the Commercial Paper, the CP Issuer understands that the transmission of an instruction through the CPMS System shall be equivalent to the giving of a duly authorized written and signed instruction which the Depositary may act upon without liability. Use of the CPMS System by the CP Issuer shall be subject to the terms and conditions set forth in Exhibit B hereto.

SECTION 4. Delivery of Commercial Paper. No Commercial Paper shall be delivered by you to a CP Dealer except against payment therefor. Commercial Paper shall be deemed delivered against payment for purposes of this Section 4 if the net proceeds of such Commercial Paper are received by you in immediately available funds at the time of your delivery of such Commercial Paper to a CP Dealer or such CP Dealer's consignee, or if, in the case of Certificated Notes at the time you deliver or cause to be delivered such Commercial Paper to such CP Dealer or such CP Dealer's consignee, you receive such CP Dealer's receipt for the delivery in customary form. In accordance with the custom in the commercial paper market, delivery of such receipt shall obligate such CP Dealer to deliver or cause to be delivered to you the purchase price of such Commercial Paper in immediately available funds prior to your close of business on such day. Should you be instructed to deliver any Commercial Paper against payment and the delivery of such Commercial Paper

and the receipt of payment therefor are not completed simultaneously, you shall have no responsibility or liability for the credit risks involved in your delivery of such Commercial Paper to those Persons who shall be designated by an Authorized Agent or an Authorized Representative or for the failure of such Persons to effectuate payment therefor as herein contemplated.

The proceeds received by you of Commercial Paper delivered by you on any day are to be deposited by you in the Commercial Paper Account to the extent necessary to provide for the payment of unpaid matured Commercial Paper or Commercial Paper maturing on such day; otherwise any such proceeds in excess of the amount required to pay unpaid matured Commercial Paper or Commercial Paper maturing on such day shall be applied as described in Section 1(a) hereof.

It is understood that you are not under any obligation to assess or review the financial condition or creditworthiness of any person to or for whose account you deliver the Commercial Paper pursuant to the instructions of an Authorized Agent or an Authorized Representative or to advise the CP Issuer, the Liquidity Agent or any Bank as to the results of any such appraisal or investigation you may have conducted on your own or of any adverse information concerning any such person that may in any way have come to your attention.

SECTION 5. Payment of Commercial Paper at Maturity. (a) Each matured Commercial Paper Note presented to you for payment on any Business Day prior to the standard window closing time (as established by the rules of the New York Clearing House Association in effect from time to time) on such Business Day, shall be paid the same day in accordance with the provisions of and to the extent funds are available as set forth in paragraph (b) of this Section 5.

(b) An Authorized Agent of the CP Issuer shall notify you by telephone (promptly confirmed by telecopy) at or before 11:00 a.m. (New York City time) on any day on which the CP Issuer expects to issue Commercial Paper Notes of the net proceeds that are expected to be delivered to you on such day from such Commercial Paper Notes. Unless an Authorized Agent of the CP Issuer notifies you by telephone (promptly confirmed by telecopy) at or before 12:00 Noon (New York City time) on

such day of a different amount of net proceeds that will be delivered to you on such day from the sale of Commercial Paper Notes, you may conclusively rely on such telephonic notification for purposes of determining the net proceeds of Commercial Paper to be issued on such day and for any calculation you are required to make hereunder which utilizes the net proceeds of Commercial Paper Notes to be issued on such day. You shall pay each matured Commercial Paper Note presented to you for payment prior to the close of business on any Business Day from funds available for such payment in the Commercial Paper Account (including funds from Commercial Paper issued or to be issued on that day). If on any given day on which Commercial Paper is scheduled to mature by its terms, the funds on deposit in the Commercial Paper Account are insufficient to pay such Commercial Paper in full after giving effect to the anticipated net proceeds of Commercial Paper Notes issued on such day, you shall prior to 11:15 a.m. (New York City time) on such day deliver to the Collateral Agent a written request to transfer (which may be by wire) by 2:45 p.m. (New York City time) on such day funds to satisfy such deficiency from the Collateral Account (in each case to the extent provided in Sections 7 and 8 of the Security Agreement) to the Commercial Paper Account. The Collateral Agent shall notify you prior to 12:00 Noon (New York City time) on such day of the amount of funds available for transfer pursuant to the Security Agreement to satisfy such deficiency, and you shall rely on such notice from the Collateral Agent given to you pursuant to this Section 5(b). If, after giving effect to the transfers required to be made to the Commercial Paper Account by the Collateral Agent as contemplated by the second preceding sentence, there shall not be sufficient funds in the Commercial Paper Account to pay the CP Matured Value of all Commercial Paper Notes maturing on such day, you shall, as agent for the holders of the Commercial Paper and as attorney-in-fact for the CP Issuer, and the CP Issuer hereby appoints the Depository as attorney-in-fact for such purpose, request Refunding Loans in an amount equal to the insufficiency by promptly giving a Notice of Refunding Borrowing to the Notice Office of the Liquidity Agent in substantially the form of Exhibit I to the Liquidity Agreement or telephonic request (confirmed by delivering a Notice of Refunding Borrowing to the Notice Office of the Liquidity Agent in substantially the form of Exhibit I to the Liquidity Agreement with a copy of such request to the CP Issuer promptly thereafter) to the Liquidity Agent (not later

than 12:15 p.m. (New York City time) on the date of the proposed Borrowing). If prior to 2:00 p.m. (New York City time) on the date of a proposed Borrowing the Liquidity Agent shall have received a notice from a Bank pursuant to Section 3.04(c) of the Liquidity Agreement that such Bank will not provide its share of a Refunding Loan, the Liquidity Agent shall give telephonic notice to the Depository of its receipt of such notice by no later than 2:15 p.m. (New York City time) on such day, promptly confirmed in writing. If on the date of a Proposed Borrowing the full amount of the requested Borrowing will not be remitted by the Liquidity Agent on such day, the Liquidity Agent shall give telephonic notice to the Depository of such fact by no later than 2:45 p.m. (New York City time) on such day, promptly confirmed in writing. The proceeds of any Refunding Loans that are made shall be remitted by the Liquidity Agent to the Commercial Paper Account not later than 3:00 p.m. (New York City time) on the day requested. You shall apply the proceeds of any Refunding Loans obtained by you first to reimburse yourself for any advances made by you to pay any matured Commercial Paper and second to the payment of the Commercial Paper in respect of which the Refunding Loans were obtained.

(c) [Reserved]

(d) If at the time any Commercial Paper is presented to you for payment there are insufficient funds on deposit and available in the Commercial Paper Account (after giving effect to transfers thereto, if any, from the Collateral Account (in each case to the extent provided in Sections 7 and 8 of the Security Agreement) and from the Banks in the form of Refunding Loans in accordance with paragraph (b) of this Section 5) to pay such Commercial Paper in full, you shall be entitled, but not required, to pay such Commercial Paper out of your personal assets before your close of business that day and you shall thereupon be deemed and treated as the holder of such Commercial Paper and shall be entitled to receive payment for such Commercial Paper (from the proceeds of Refunding Loans or from any other source available in accordance with the Security Agreement for the payment of Commercial Paper); provided, however, that you shall not have any right of set off against any amounts on deposit at any time in the Commercial Paper Account. The CP Issuer shall pay you interest, upon your demand, on the amount paid by you to the holder of such Commercial Paper at a rate per annum equal to your prime rate in effect from time to time during the period from the date of payment made by you to and including the day

you are reimbursed for such amount. Unless you are reimbursed for such amount by the CP Issuer prior to your making demand for payment of such Commercial Paper, you shall promptly make demand for payment of such Commercial Paper. No prior action or course of dealing on the part of the Depositary with respect to the payment of Commercial Paper shall be used or give rise to any claim or action by the CP Issuer against the Depositary for the Depositary's refusal to pay Commercial Paper for which the CP Issuer has not timely provided the funds as provided herein.

(e) Certificated Notes paid in full by you shall be marked "CANCELLED" and, subject to the provisions of the next succeeding sentence, held by you in safekeeping for disposition in accordance with written instructions to you by the CP Issuer. Unless the CP Issuer or the Collateral Agent, acting at the direction of the Controlling Party, instructs you otherwise, you shall return to the CP Issuer all Certificated Notes paid by you within sixty (60) days after such payment.

(f) If any Commercial Paper shall not be presented for payment on its maturity date and sufficient funds are then on deposit in the Commercial Paper Account for payment thereof upon presentation, you shall hold such funds uninvested in trust until presentation for the benefit of the holder of such Commercial Paper.

SECTION 6. Inspection of Documents by Commercial Paper Holders. You shall keep a fully executed, or conformed, copy of the Liquidity Agreement, the Pooling and Servicing Agreement, the Security Agreement (each in the form delivered to you by the CP Issuer concurrently with the execution and delivery of this Agreement) and this Agreement, together with all amendments, modifications, supplements, waivers and consents made or given with respect thereto (if made available to you), on file at the office of your Corporate Trustee Administration Department. You shall permit reasonable inspection to be made of such documents during normal business hours by the holder of any Commercial Paper or by any officer, employee or agent of such holder, provided that the person purporting to be such holder establishes to your satisfaction that he is in fact such holder of such Commercial Paper and, in cases where inspection is sought to be made by a person purporting to be an officer, employee or agent of such holder, that such person submits evi-

dence satisfactory to you of his authority to make such inspection on behalf of the holder of such Commercial Paper. The CP Issuer shall promptly advise you of any amendment, modification, supplement, waiver or consent made or given with respect to the Liquidity Agreement, the Pooling and Servicing Agreement or the Security Agreement and, promptly after the effectiveness thereof, shall furnish you with a fully executed or conformed copy of such amendment, modification, supplement, waiver or consent.

SECTION 7. Expenses and Indemnity.

(a) Subject to and in accordance with the Security Agreement, the CP Issuer agrees:

(i) to pay to you from time to time compensation for all services rendered by you hereunder at the rate or in the amounts as mutually agreed upon;

(ii) except as otherwise expressly provided herein, to reimburse you promptly upon your request (and in any event within 30 days) for all expenses, disbursements and advances reasonably incurred or made by you in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of your agents and counsel), except any such expense, disbursement or advance as may be attributable to your gross negligence, wilful misconduct or bad faith; and

(iii) to indemnify you and your directors, officers, employees and agents, and hold you and your directors, officers, employees and agents harmless, from and against any and all losses (except your loss of profit), liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, out-of-pocket costs and expenses (including, without limitation, interest and reasonable attorneys' fees, but excluding costs and expenses attributable solely to administrative overhead) arising out of, in connection with, or resulting from, the exercise of your rights and/or the performance of your duties, by you or by your agents and employees, here-

under, including the exercise of your rights or your performance of your duties with respect to drawings on the Collateral Account or borrowings under the Liquidity Agreement, or the breach by the CP Issuer of any representation or warranty contained herein; provided, however, that the CP Issuer shall not be liable to indemnify you for, or hold you harmless from, damage, cost or expense resulting from or attributable to your gross negligence, willful misconduct or bad faith or that of your directors, officers, employees or agents. The foregoing indemnity includes, but is not limited to, any action taken or omitted to be taken by you upon telephonic instructions (authorized herein) received by you from, or believed by you in good faith to have been given by, the proper person or persons.

(b) Federated agrees to indemnify you and your directors, officers, employees and agents, and hold you and your directors, officers, employees and agents harmless, from and against any and all losses (except your loss of profit), liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, out-of-pocket costs and expenses (including, without limitation, interest and reasonable attorneys' fees, but excluding costs and expenses attributable solely to administrative overhead) arising out of, in connection with, or resulting from, the exercise of your rights and/or the performance of your duties, by you or by your agents and employees, hereunder, including the exercise of your rights or your performance of your duties with respect to drawings on the Collateral Account or borrowings under the Liquidity Agreement, or the breach by the CP Issuer of any representation or warranty contained herein; provided, however, that Federated shall not be liable to indemnify you for, or hold you harmless from, damage, cost or expense resulting from or attributable to your gross negligence, willful misconduct or bad faith or that of your directors, officers, employees or agents. The foregoing indemnity includes, but is not limited to, any action taken or omitted to be taken by you upon telephonic instructions (authorized herein) received by you from, or believed by you in good faith to have been given by, the proper person or persons.

SECTION 8. Representations and Warranties. In addition to any other representations and warranties on the part of the CP Issuer contained herein, the CP Issuer hereby represents and warrants to you that (i) its entry into this Agreement, and your appointment by the CP Issuer as Depositary and, under the circumstances set forth herein, as fiduciary or agent, have been duly authorized by all necessary corporate action on the part of the CP Issuer and will not violate, breach or contravene the certificate of incorporation or by-laws of the CP Issuer or any law, rule, regulation, judgment, ruling, order, contract or agreement binding upon the CP Issuer; (ii) the issuance of the Commercial Paper has been duly and validly authorized by all necessary corporate action, and that such Commercial Paper, when completed, countersigned and delivered pursuant hereto, will constitute the CP Issuer's legal, valid and binding obligation enforceable against the CP Issuer in accordance with its terms, except as enforcement thereof maybe limited by bankruptcy, insolvency or other similar laws relating to or affecting generally the enforcement of creditors' rights or by general equitable principles; (iii) the issuance and delivery thereof will be in conformity with the terms of the Liquidity Agreement; (iv) the CP Issuer has the right, capacity and authority to have the Commercial Paper eligible for deposit as book-entry only in DTC's CP Program; (v) the CP Issuer has the right, capacity and authority to execute the Letter and the Master Note Certificate (each as defined below) applicable to the BEO Notes for the benefit of DTC; and (vi) if the Commercial Paper Notes are to be issued in the form of Certificated Notes, the CP Issuer has the right, capacity and authority to issue such Certificated Notes.

SECTION 9. Term and Termination. (a) The term of this Agreement (except for the provisions of Section 7 and Section 17 hereof which shall survive indefinitely) shall extend from the date hereof and shall end on the earlier of:

(i) subject to Section 9(d),
the Scheduled Maturity Date; and

(ii) the date of termination
specified in the termination notice given pursuant to paragraph (b) of this Section 9.

Any Commercial Paper outstanding on the date of any termination of this Agreement pursuant to paragraph (a) or (b) of this Section 9 shall nevertheless remain valid obligations of the CP Issuer, and the provisions of this Agreement shall continue to be applicable with respect to the payment of such Commercial Paper and the rights of such holders in the Collateral to the same extent as if this Agreement had not terminated.

(b) Either you or the CP Issuer may terminate this Agreement, and the authority granted to you herein, at any time upon not less than thirty days' prior written notice given to the other parties hereto specifying the termination date hereof. Notwithstanding the preceding sentence, no termination of this Agreement shall take effect until a successor Depositary has been duly appointed. No successor Depositary may be appointed, however, if such appointment shall result in the withdrawal or reduction of any rating assigned to the Commercial Paper. If either you or the CP Issuer gives notice of such termination of this Agreement, the CP Issuer shall have the right to appoint a successor Depositary with the consent of the Required Banks or if no such successor shall have been identified within 30 days, you shall have the right to petition any court of competent jurisdiction for the appointment of a successor. Promptly following your receipt or giving of such notice and upon the termination of this Agreement under paragraph (a) of this Section, you shall redeliver to the CP Issuer or your successor, if one has been appointed, all Commercial Paper then held by you hereunder for the CP Issuer's account for safekeeping, against receipt by the CP Issuer or such successor, and shall cause to be deposited in the Collateral Account, upon advice to the CP Issuer and the Collateral Agent, all funds, if any, then on deposit in, or otherwise to the credit of, the Commercial Paper Account in excess of that amount which is equal to the CP Matured Value of all matured and unpaid Commercial Paper theretofore issued by you hereunder.

(c) No Commercial Paper shall be delivered to you by the CP Issuer for safekeeping or issuance hereunder, nor shall any Commercial Paper be authenticated or delivered to a CP Dealer or pursuant to Section 10 by you, following the termination of this Agreement and the authority granted to you herein.

(d) The term of this Agreement shall not end pursuant to clause (i) of Section 9(a) if the CP Issuer shall have notified you in writing that the Scheduled Maturity Date has been extended. Notwithstanding any termination of this Agreement, the Depositary shall maintain the Commercial Paper Account until the first anniversary of the date of termination of this Agreement, and apply any funds received by it from the Collateral Agent for payment of Commercial Paper to repay Commercial Paper as it matures.

SECTION 10. BEO Notes. (a) At the direction and expense of the CP Issuer, if the CP Issuer so elects, you shall prepare for execution by the CP Issuer and you, DTC's then current form Letter of Representations (the "Letter"). The CP Issuer shall provide to you for submission with the Letter a copy of the information memorandum for the CP Issuer's commercial paper program under which Certificated Notes are issued by you under the terms of this Agreement. You shall deliver the Letter to DTC's Legal Department and shall return to the CP Issuer a copy of the Letter after it has been received and accepted by DTC.

(b) Once the CP Issuer's commercial paper program has been accepted by DTC for DTC's program and prior to the issuance and distribution of any BEO Notes: (i) the CP Issuer shall deliver to you as custodian for DTC a Master Note Certificate in such form as the CP Issuer and the Depositary shall agree, duly executed by an Authorized Representative of the CP Issuer, to evidence BEO Notes to be issued and distributed through DTC by the Depositary on behalf of the CP Issuer and the obligation of the CP Issuer to provide for the payment of such BEO Notes at their maturities; and (ii) the Depositary shall obtain from the CUSIP Service Bureau a written list of CUSIP numbers as provided by the Letter, and you shall deliver such list to DTC. You shall instruct the CUSIP Service Bureau to bill the CP Issuer for the fee or fees payable to the CUSIP Service Bureau for the list of CUSIP numbers for the BEO Notes. Should you receive the CUSIP Service Bureau's bill, you may charge the CP Issuer's account for the amount of such fee or fees. The CUSIP numbers, as provided by DTC's CP Program, will be assigned to the CP Issuer's BEO Notes and used to identify the CP Issuer's outstanding BEO Notes in DTC's system.

(c) The CP Issuer agrees to be bound by DTC's rules and procedures with respect to its BEO Notes in DTC. DTC's procedures, among other things, currently provide that issuance of BEO Notes with a maturity date on a holiday on which DTC is scheduled to be closed for settlement services are not acceptable for deposit into DTC's CP Program. You shall provide the CP Issuer with a list of DTC holidays. In the event there is any delay in the issuance of BEO Notes resulting from the CP Issuer's instructions to you providing for the issuance of BEO Notes to mature on DTC holidays, you shall not be liable to the CP Issuer or any holder of any BEO Notes.

(d) Once the CP Issuer's commercial paper program has been accepted by DTC for DTC's program, you shall execute all commercial paper program note issuance instructions received by a Designated Person from an Authorized Agent or an Authorized Representative by issuing and delivering to purchasers only BEO Notes through DTC, except where you have been specifically instructed by the CP Issuer to complete and deliver one or more Certificated Notes to such purchasers. All instructions for the issuance of BEO Notes shall be either written or oral.

(e) Should the CP Issuer agree with a BEO Noteholder to prepay such holder's BEO Note or BEO Notes on deposit with DTC prior to the scheduled maturity date for such BEO Note(s), the CP Issuer shall make arrangements with the BEO Noteholder and you for the delivery of such BEO Notes(s) through the DTC system by the DTC participant holding the BEO Notes(s) to your designated account at DTC for payment.

(f) Each BEO Note issued and distributed through DTC upon the instruction of a Designated Person from an Authorized Agent or an Authorized Representative shall constitute the CP Issuer's representation and warranty that such BEO Note is a legal, valid and binding obligation of the CP Issuer. You may assume that the resolutions of the CP Issuer's Board of Directors remain unamended as such resolutions have been heretofore delivered to you under the Agreement. The CP Issuer, if requested by you, shall provide to you certified copies of resolutions of the CP Issuer's Board of Directors authorizing the CP Issuer's commercial paper program and its participation as an issuer in DTC's CP Program and/or an opinion of the CP Issuer's counsel that the CP Issuer may

issue its commercial paper program notes in book-entry-only form through DTC's CP Program.

(g) The CP Issuer may discontinue its participation in DTC's CP Program with respect to the BEO Notes at any time upon not less than ten (10) days written notice to you (with copies of such notice to the CP Dealer). In the event the CP Issuer shall discontinue its participation in DTC's Commercial Paper Program with respect to the BEO Notes or DTC discontinues its services as securities depositary with respect to the BEO Notes, then the CP Issuer and you shall cooperate in taking appropriate action, including, if necessary, making one or more Certificated Notes available to any DTC participant having BEO Notes credited to its DTC account. Notice by the CP Issuer to you of its discontinuance of its participation in DTC's CP Program with respect to the BEO Notes shall not constitute notice of termination of your duties as issuing and paying agent for Certificated Notes hereunder.

(h) In addition to the fees otherwise payable by the CP Issuer hereunder for issuance and payment services for Certificated Notes, the CP Issuer shall pay to you the fees as have been mutually agreed upon with respect to the BEO Notes issued through DTC, as reflected in a letter dated October 21, 1992, as amended, from the CP Issuer. All such fees shall be paid promptly by the CP Issuer upon receipt of your invoice therefor. Such fee arrangements may be changed from time to time upon at least 30 days written notice to the CP Issuer. You may charge your fees to any account of the CP Issuer maintained with you.

(i) Should you be required in the performance of this Agreement to make any "funds transfers" (as that term is defined in Article 4A of the Uniform Commercial Code as in effect in New York) for or at the request of the CP Issuer (the "Sender"), the following shall apply:

(i) if any payment order is transmitted through any funds-transfer system including, but not limited to, the Clearing House Interbank Payment System (CHIPS) and the Automated Clearing House system ("ACH"), the Sender shall be bound by the rules of such

funds-transfer system in effect at the time that such transfer is made.

(ii) To the extent that you are required to pay any interest to the Sender (whether as the Sender or the beneficiary of any payment order) such interest shall be computed based on the Interbank Compensation Rules then in effect in the New York Clearing House Association.

(iii) In executing a payment order other than between accounts within you, you may use the services of correspondent and intermediary banks, funds, transfer systems, telecommunication companies and other entities of similar purpose. While you shall use due care in the selection of all such entities, they are not your agents and you will not be responsible for their acts or omissions with regard to any payment orders.

SECTION 11. Amendments and Modifications.

(a) This Agreement may be amended from time to time with the written consent of the CP Issuer, the Depository and the Liquidity Agent acting with the consent of the Required Banks, and without the consent of the Collateral Agent, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying, in any manner the rights thereunder; provided, however, that (i) the CP Issuer shall have provided an Officer's Certificate to the Collateral Agent to the effect that such amendment will not materially and adversely affect the interests of the Collateral Agent, and (ii) Moody's and S&P shall have confirmed in writing that their respective ratings on the Commercial Paper will not be lowered below the respective ratings required in the Facilities Documents or withdrawn as a result of any such amendment, modification, deletion or waiver; provided further, that any amendment that would materially and adversely affect the interests of the Collateral Agent may only occur with the written consent of the Collateral Agent. An Authorized Agent shall notify each of Moody's and S&P at least 10 days prior to the date of execution and delivery of any proposed amendment, modification, deletion or waiver. No such amendment, modification, deletion or waiver shall adversely affect the rights of the holder or holders of

any Commercial Paper Outstanding at the time of such amendment, modification, deletion or waiver unless consented to in writing by such holder or holders.

(b) Promptly after the execution of any amendment, modification, termination or waiver of any provision of the Liquidity Agreement, the Pooling and Servicing Agreement or the Security Agreement, the CP Issuer shall give notice to you of such action and shall furnish you with a fully executed or conformed copy of such amendment, modification, waiver or consent. No amendment of any of the foregoing agreements which affects your rights, duties or powers hereunder shall be effective against you without your prior written consent.

SECTION 12. Notices. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given hereunder shall be deemed given when received in the manner provided for in Section 10.06 of the Liquidity Agreement addressed as specified below, or at any other address or telephone number, as the case may be, as any party hereto may notify to the other parties hereto in accordance with the provisions of this Section 11 (except that notices, demands, instructions and other communications to the Depository shall be deemed given only when received by a Designated Person):

If to the Depository:

Chemical Bank, as Depository
55 Water Street, Room 1820
New York, New York 10041
Attention: Corporate Trustee
Administration Department
Tel. No.: (212) 820-5165
Telecopier No.: (212) 514-6192

If to the CP Issuer:

Deerfield Funding Corporation
4705 Duke Drive
Mason, Ohio 45040
Attention: President
Tel. No.: (513) 573-2006
Telecopier No.: (513) 573-2039

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with a copy to:

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Tel. No.: (513) 579-7000
Telecopier No.: (513) 579-7555

If to the Collateral Agent:

Chemical Bank
as Collateral Agent
55 Water Street, Room 1820
New York, New York 10041
Attention: Corporate Trustee
Administration Department
Tel. No.: (212) 820-5165
Telecopier No.: (212) 514-6192

If to the Liquidity Agent:

Credit Suisse, New York Branch
12 East 49th Street
New York, New York 10017
Attention: Asset Finance Department, 42nd Floor
Tel. No.: (212) 238-5310
Telecopier No.: (212) 238-5332

If to the CP Dealers:

Goldman Sachs Money Markets, L.P.
85 Broad Street
New York, New York 10004
Attention: David Keller, Commercial Paper Credit
Department
Tel. No.: (212) 902-3693
Telecopier No.: (212) 363-7609

Shearson Lehman Brothers Inc.
American Express Tower
World Financial Center
New York, New York 10285
Attention: Commercial Paper Product Management
Tel. No.: (212) 640-0262
Telecopy No.: (212) 528-6975

If to Moody's:

MOODY'S INVESTORS SERVICE, INC.
99 Church Street
New York, New York
Attention: Structured Finance Group;
 ABS Monitoring
Tel. No.: (212) 553-7139
Telecopier No: (212) 553-4600

If to S&P:

STANDARD & POOR'S CORPORATION
Asset Backed Surveillance Department
26 Broadway
New York, New York 10004
Tel. No.: (212) 208-8131
Telecopier No.: (212) 412-0323

SECTION 13. Binding Effect, Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. No party hereto (except the Liquidity Agent) may assign any of its rights or obligations hereunder (other than in connection with the appointment of a successor Depository under Section 9 hereof) except with (i) the prior written consent of all parties hereto, including the consenting parties and (ii) the prior written confirmation of Moody's and S&P that their respective ratings of the Commercial Paper will not be lowered or withdrawn as a result of such assignment.

SECTION 14. Governing Law. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS.

SECTION 15. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same Agreement.

SECTION 16. Headings. Section headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

SECTION 17. No Petition. You, in your capacity as Depositary, hereby covenant and agree that you will not institute against, or join any person in instituting against, the CP Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any Federal or state bankruptcy or similar law, at any time other than on a date which is at least one year and one day after the payment in full of the last Commercial Paper or Loan to mature.

SECTION 18. Fiduciary Duties; Agent for Commercial Paper Holders. It is understood that you are acting as fiduciary solely to the extent that you are holding and applying funds in the Commercial Paper Account and making requests for Refunding Loans under the Liquidity Agreement, as provided in this Agreement on behalf of the holders from time to time of the Commercial Paper. Neither you nor any of your officers, directors, employees or agents shall be liable for any error of judgment or for any mistake of fact or law, or for any action taken or omitted to be taken by you or them hereunder except for your or their gross negligence or wilful misconduct. You undertake to perform such duties and only such duties as are set forth in this Agreement and no implied covenants shall be read into this Agreement against you.

You shall incur no liability in acting within the scope of this Agreement on any notice or instruction, telephonic or written, given hereunder which a Designated Person believes in good faith to have been given by an Authorized Representative or an Authorized Agent; nor shall you in so acting assume or be deemed to have assumed any responsibility for the propriety of any transaction effected by you under, or the compliance of any such transactions with, the Liquidity Agreement or any other of the Facilities Documents. Your countersignature of any Commercial Paper shall be for authentication purposes only and neither you nor any person countersigning on your behalf shall have any liability on any Commercial Paper.

You may rely and shall be protected in acting or refraining from acting upon any communication auth-

rized by this Agreement and upon any written instruction, notice, request, direction, consent, report, certificate, Commercial Paper or other instrument, paper or document believed by you to be genuine. You shall not be liable for acting upon any telephone communication authorized by this Agreement which you believe in good faith to have been given by the CP Issuer or any Authorized Agent or Authorized Representative. You may record telephone communications with the CP Issuer or any Authorized Agent or Authorized Representative.

You may consult with counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by you hereunder in good faith and in reliance thereon.

You shall not be required to advance, expend or risk your own funds or otherwise incur or become exposed to financial liability in the performance of your duties hereunder, notwithstanding any course of conduct or practice that you may have engaged in, and no party or any holder of Commercial Paper may rely on the continued existence of such course of conduct or practice.

You, in your individual or any other capacity, may become the owner or pledgee of Commercial Paper or a participant in the credit provided under the Liquidity Agreement with the same rights you would have if you were not acting hereunder.

You may perform any duties hereunder either directly or by or through agents or attorneys, and you shall not be liable or responsible for any actions, misconduct or negligence on the part of any agent or attorney appointed or supervised by you in good faith.

ANY ACTION OR PROCEEDING ALLEGING ANY BREACH BY YOU OF YOUR DUTIES UNDER THIS AGREEMENT SHALL BE PROSECUTED ONLY IN A STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEW YORK, COUNTY OF NEW YORK. YOU SHALL HAVE THE RIGHT AT ANY TIME TO SEEK INSTRUCTIONS FROM ANY COURT OF COMPETENT JURISDICTION.

You make no representation as to, and shall have no responsibility for, the correctness of any statement contained in, or the validity or sufficiency of, this Agreement or any documents or instruments referred

to in this Agreement (including, but not limited to, the Liquidity Agreement or any other of the Facilities Documents) or the sufficiency or effectiveness of any security afforded this Agreement or the Commercial Paper Notes or as to or for the validity or collectibility of any obligation contemplated by this Agreement (including, but not limited to, the Commercial Paper Notes).

Except as otherwise expressly provided herein, whenever, in the administration of this Agreement, you shall deem it necessary that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Representative or an Authorized Agent or of any officer of the Liquidity Agent or any Bank, and such certificate shall be full warranty to you for any action taken, suffered or omitted under the provisions of this Agreement upon the faith thereof. Any corporation or other entity into which you may be merged or converted or with which you may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which you shall be a party, or any corporation or other entity succeeding to all or substantially all of your corporate trust business, shall succeed to all your rights, obligations and immunities hereunder (without relieving the Depository of its responsibilities hereunder if it survives such merger, conversion, consolidation or succession) without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided, however, that upon the request of the CP Issuer, the Collateral Agent or the Liquidity Agent, such corporation, other entity or successor shall execute an assumption agreement providing for the assumption by such corporation, other entity or successor of the rights and obligations of the Depository in a form reasonably satisfactory to you and the CP Issuer, the Collateral Agent and the Required Banks.

SECTION 19. No Recourse. The obligations of the CP Issuer under this Agreement are solely the corporate obligations of the CP Issuer. No recourse shall be had for the payment of any amount owing in respect to Section 7 hereof or for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement against the CP Issuer or against any

shareholder, employee, officer, director or incorporator of the CP Issuer.

SECTION 20. Limited Recourse to CP Issuer.

The Depositary agrees that the obligations of the CP Issuer to the Depositary hereunder, including without limitation the obligation of the CP Issuer in respect of fees and indemnity pursuant to Section 7, shall be payable solely from the Collateral in accordance with the Security Agreement and that the Depositary shall not look to any other property or assets of the CP Issuer in respect of such obligations and that such obligations are fully subordinated to the CP Issuer's obligations under the Commercial Paper and the Loan Notes.

SECTION 21. Security Agreement. The Depositary is hereby authorized and directed to execute and deliver the Security Agreement in the form delivered to you by the CP Issuer and to perform the duties and obligations of the Depositary thereunder in accordance with the terms hereof.

If the foregoing is acceptable to you, please indicate your agreement therewith by signing this or a duplicate counterpart of this Agreement in the space provided below, and returning this or such duplicate signed counterpart to the CP Issuer, whereupon this Agreement will become a binding agreement between us and you.

LEERFIELD FUNDING CORPORATION

By _____
Authorized Signatory

For purposes of Section 7(b)
only:

FEDERATED DEPARTMENT STORES,
INC.

By _____
Name :
Title:

If the foregoing is acceptable to you, please indicate your agreement therewith by signing this or a duplicate counterpart of this Agreement in the space provided below, and returning this or such duplicate signed counterpart to the CP Issuer, whereupon this Agreement will become a binding agreement between us and you.

DEERFIELD FUNDING CORPORATION

By Karen Hesquest
Name : Karen Hesquest
Title: Director - Financial Services

For purposes of Section 7(b) only

FEDERATED DEPARTMENT STORES, INC.

By Karen Hesquest
Name : Karen Hesquest
Title: Director - Financial Services

ACCEPTED AND AGREED:

CHEMICAL BANK, as Depository

By Peter House
Name : Peter House
Title: Vice President

CHEMICAL BANK, as Collateral Agent

By Peter House
Name : Peter House
Title: Vice President

CREDIT SUISSE, NEW YORK BRANCH
as Liquidity Agent

By _____
Name :
Title:

CHEMICAL BANK, as Collateral Agent

By _____
Name:
Title:

CREDIT SUISSE, NEW YORK BRANCH
as Liquidity Agent

By *Bruce T. Miller*
Name: BRUCE T. MILLER
Title: Member of Senior Management

By *Jodie E. Driscoll*
Name: JODIE DRISCOLL
Title: Associate

Exhibit A

BY ITS ACCEPTANCE OF THIS NOTE, THE PURCHASER WILL BE DEEMED TO HAVE REPRESENTED TO DEERFIELD FUNDING CORPORATION (THE "ISSUER") AND THE PLACEMENT AGENT THROUGH WHICH THIS NOTE WAS PURCHASED THAT IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") AND THAT THIS NOTE IS BEING ACQUIRED FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY FOR OTHERS AND NOT WITH A VIEW TO THE DISTRIBUTION THEREOF, AND TO HAVE AGREED THAT ANY RESALE OR OTHER TRANSFER OF A NOTE WILL BE MADE ONLY (I) TO SUCH PLACEMENT AGENT, (II) THROUGH SUCH PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION APPROVED BY SUCH PLACEMENT AGENT, (III) DIRECTLY TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION APPROVED BY THE CP ISSUER, OR (IV) TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE 1933 ACT ("RULE 144A") IN A TRANSACTION WHICH MEETS THE REQUIREMENTS OF RULE 144A; PROVIDED THAT THE AGREEMENT OF THE PURCHASER IS SUBJECT TO ANY REQUIREMENTS OF LAW THAT THE DISPOSITION OF THE PURCHASER'S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. ANY RESALE OR OTHER TRANSFER, OR ATTEMPTED RESALE OR OTHER TRANSFER, OTHER THAN A RESALE OR OTHER TRANSFER MADE TO A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION WHICH MEETS THE REQUIREMENTS OF RULE 144A, MADE WITHOUT THE APPROVAL OF THE PLACEMENT AGENT OR THE CP ISSUER SHALL BE VOID AND WILL NOT BE RECOGNIZED BY THE CP ISSUER.

DEERFIELD FUNDING CORPORATION
COMMERCIAL PAPER NOTE

NO.

\$ _____

Issue Date: _____

On _____, for value received, DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer"), promises to pay to the order of BEARER,

the sum of _____ DOLLARS, payable at Chemical Bank,
55 Water Street, New York, New York 10041.

If this commercial paper note is presented for payment at or prior to the standard window closing time (as established by the rules of the New York Clearing House Association in effect from time to time) on a Business Day (as defined on the reverse hereof), payment hereof will be made on the same Business Day. If this commercial paper note is presented for payment after the standard window closing time (as established by the rules of the New York Clearing House Association in effect from time to time) on a Business Day, payment will be made on the next succeeding Business Day.

The CP Issuer has appointed Chemical Bank as its depositary and issuing agent and paying agent (the "Depositary") pursuant to a Depositary Agreement, dated as of December 31, 1992 (as amended from time to time, the "Depositary Agreement"), in connection with this commercial paper note.

The Depositary Agreement, the Liquidity Agreement (as defined in the Depositary Agreement) and the Security Agreement referred to below are on file with the Depositary at its Corporate Trustee Administration Department, and reference is made to such documents for the terms upon which this commercial paper note has been issued, the security and liquidity for this commercial paper note and the rights and duties of the Collateral Agent.

This commercial paper note is entitled to the benefits of a Pledge and Security Agreement dated as of December 31, 1992, as from time to time amended (the "Security Agreement"), among the CP Issuer, Federated, Chemical Bank, as Collateral Agent and as Depositary, and the Liquidity Agent referred to therein. By accepting the benefits of the security interest granted therein, the holder of this commercial paper note hereby irrevocably authorizes the Collateral Agent, acting at the direction of the Controlling Party, under the Security Agreement to take such action on behalf of such holder under the provisions of the Security Agreement and to exercise such powers and perform such duties as are expressly delegated to the Collateral Agent by the terms of the Security Agreement, together with such other powers as are reasonably incidental thereto.

This commercial paper note shall be governed by
and construed in accordance with the laws of the State of
New York.

DEERFIELD FUNDING CORPORATION

By _____
Authorized Signature

This commercial paper note is not valid for any
purpose unless countersigned by Chemical Bank, as Depos-
itory. Countersigned for authentication only:

Chemical Bank, as Depository

By _____
Authorized Signature

[Back]

DEERFIELD FUNDING CORPORATION
COMMERCIAL PAPER NOTE

The statements, representations, covenants and agreements made by the CP Issuer and contained in this commercial paper note and its obligations hereunder are solely the corporate obligations of the CP Issuer, and are made and intended only for the purpose of binding the CP Issuer and establishing the existence of rights provided for in this commercial paper note or in agreements executed and delivered by or issued by the CP Issuer or an officer thereof and referred to herein which can be exercised and enforced against the CP Issuer. No recourse shall be had for payment of any amount due under this commercial paper note, or for any obligation or claim arising out of or based on any provision of this commercial paper note or any of the agreements, instruments, documents or certificates executed and delivered by or issued by the CP Issuer or an officer thereof and referred to herein, against any stockholder, employee, officer, director or incorporator of the CP Issuer.

Exhibit B

COMMERCIAL PAPER MANAGEMENT SYSTEM

TERMS AND CONDITIONS

1. Deerfield Funding Corporation (the "CP Issuer") will use the Commercial Paper Management System (the "CPMS System") in accordance with the conditions, rules and regulations established or specified by Chemical Bank ("Chemical") from time to time and set forth in manuals, material, documents or instructions furnished by Chemical to the CP Issuer.

2. Transmission of an instruction for the issuance of commercial paper notes through the CPMS System shall be equivalent to the giving by the CP Issuer of a duly authorized written and signed instruction in accordance with the Depositary Agreement which Chemical may act upon without liability. Use of the CPMS System by the CP Issuer shall be subject to the terms and conditions herein.

3. Access to the CPMS System is conditioned upon the continued operation and availability of the third party-owned time-share computer and its associated leased line computer/communications network which operates the CPMS System software. In the event access to this computer-communications system is suspended or terminated for any reason, Chemical, its independent contractors, subcontractors and agents will not be responsible for its/their inability to provide the CPMS System service.

4. Chemical shall take reasonable precautions to assure that information transmitted through the CPMS System will remain confidential and protected from unauthorized access by third parties. Chemical, however, shall not be responsible for the loss, interception, alteration or unintentional disclosure of information transmittal through the CPMS System.

5. Any confidential number or code, password or test key or other identifier assigned or given to the CP issuer by Chemical (or any change to any such identifier by the CP Issuer) as part of the CPMS System shall be safeguarded by the CP Issuer and distributed by the CP Issuer only to authorized personnel. Chemical shall not be liable for any loss to the CP Issuer arising from the CP Issuer's failure to safeguard the number or code, password or test key or other identifier and Chemical shall be protected in

acting upon any instruction given with an assigned number or code, password or test key or other identifier.

6. (a) The CP Issuer agrees to promptly pay to Chemical, upon receipt of an invoice therefor, the CPMS System related fees as have been mutually agreed upon by the CP Issuer and Chemical and reflected in a letter from Chemical to the CP Issuer, dated October 21, 1992, as amended. Chemical may from time to time revise said Fee Schedule upon not less than 60 days' prior written notice to the CP Issuer.

(b) In addition to Chemical's fees for this service, the CP Issuer agrees to pay Chemical, upon demand, amounts equal to any sales or other taxes, however designated or levied, which are paid or payable by Chemical based upon such fees, its services hereunder, or the Depositary Agreement, excluding however, taxes based upon Chemical's net income.

7. (a) Should the CPMS System be down for any reason, the CP Issuer shall promptly notify Chemical's Customer Service Representative assigned to the CP Issuer at the telephone number provided to the CP Issuer by Chemical and, until the CPMS System is back in operation, the CP Issuer shall follow the procedures for the issuance of the CP Issuer's Commercial Paper contained in the Depositary Agreement to which this Annex is attached.

(b) The CP Issuer shall check to ensure all instructions input into the CPMS System are correct before transmitting them to Chemical. The CP Issuer shall use a terminal with a printer when transmitting all issuance instructions. A confirmation will be generated by the CPMS System indicating that Chemical has received the instructions via the CPMS System. Chemical shall not be responsible for having received instructions via the CPMS System if the CP Issuer does not have a hard copy confirmation of such instructions generated from the CPMS System.

(c) Once an instruction is received by Chemical through the CPMS System, Chemical will prepare and deliver the CP Issuer's Commercial Paper unless prior to delivery a designated person duly authorized to receive issuance instructions in Chemical's Corporate Trustee Administration Department receives cancellation or override instructions from a person duly authorized to give issuance instructions on behalf of the CP Issuer in writing or via telephone. The CP Issuer will not issue and Chemical will not act upon

cancellation or override instructions transmitted through
the CPMS System.

Exhibit C

FORM OF INCUMBENCY CERTIFICATE

Chemical Bank, as Depositary
55 Water Street
New York, New York 10041

Attention: Corporate Trustee Administration Department

Ladies and Gentlemen:

This is to certify that, until such time as you shall have received from Deerfield Funding Corporation (the "CP Issuer") a subsequent Incumbency Certificate or written notice to the contrary, each of the persons listed on Appendix C-1 hereto is an "Authorized Representative" and is authorized to execute Commercial Paper on behalf of the CP Issuer and to act and to give instructions and notices on behalf of the CP Issuer under Section 2 of the Depositary Agreement, dated as of December 31, 1992 entered into among Chemical Bank, as Depositary, Chemical Bank, as Collateral Agent, the Liquidity Agent, Federated and the CP Issuer, as it may from time to time be amended or modified and in effect (the "Depositary Agreement") and each of the persons listed on Appendix C-2 hereto is an "Authorized Agent" and is authorized to give and receive instructions and notices on behalf of the CP Issuer under the Depository Agreement.

Date: _____

DEERFIELD FUNDING CORPORATION

By _____

Title _____

APPENDIX C-1

Authorized Representatives

| <u>NAME</u> (please type or print) | <u>TITLE</u> | <u>SIGNATURE</u> |
|---------------------------------------|--------------|------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Mailing Address:

Telefacsimile No.:

APPENDIX C-2

Authorized Agents

NAME
(please type or print)

TITLE

SIGNATURE

Mailing Address:

Telefacsimile No.:

FORM OF DEPOSITORY AUTHORIZATION LETTER

Deerfield Funding Corporation

Attention:

Ladies and Gentlemen:

This is to certify that, until such time as you shall have received from Chemical Bank (the "Depository") a subsequent Depository Authorization Letter or written notice to the contrary, (i) each of the persons listed on Appendix X hereto is an "Authenticating Representative" and is authorized to give receipt for, complete, authenticate and deliver Commercial Paper pursuant to the terms of the Depository Agreement, dated as of December 31, 1992, entered into among Chemical Bank as Depository and Collateral Agent, the Liquidity Agent, Federated and Deerfield Funding Corporation as it may from time to time be amended or modified and in effect (the "Depository Agreement"), and (ii) each of the persons listed on Appendix Y hereto is a "Designated Person" and is authorized to act on behalf of the Depository under the Depository Agreement and to give and receive notices and instructions on behalf of the Depository thereunder.

Date: _____

CHEMICAL BANK, as Depository

By _____

Title _____

APPENDIX X

Authenticating Representatives

NAME
(please type or print)

TITLE

SIGNATURE

Mailing Address:

Telefacsimile No.:

APPENDIX Y

Designated Persons

Mailing Address:

Telefacsimile No.:

EXHIBIT 10.16

LIQUIDITY AGREEMENT

Dated as of December 31, 1992

Among

DEERFIELD FUNDING CORPORATION

THE FINANCIAL INSTITUTIONS NAMED HEREIN
FEDERATED DEPARTMENT STORES, INC.

and

CREDIT SUISSE, NEW YORK BRANCH,
as Liquidity Agent

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SCHEDULE I Notices and Commitments
SCHEDULE II Federated Current Accounts Receivable
 Aging and Writeoff Procedures

LIQUIDITY AGREEMENT dated as of December 31, 1992, among DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer"), FEDERATED DEPARTMENT STORES, INC., a Delaware corporation ("FEDERATED"), the financial institutions from time to time parties hereto (hereinafter each, together with its successors and assigns, a "Bank" and collectively, together with their successors and assigns, the "Banks") and CREDIT SUISSE, NEW YORK BRANCH, as agent for the Banks (hereinafter, together with its successors and assigns in such capacity, the "Liquidity Agent").

WHEREAS, the CP Issuer proposes to acquire from Prime Receivables Corporation (the "Transferor") a Class A Variable Funding Certificate issued by Prime Credit Card Master Trust pursuant to a Pooling and Servicing Agreement dated as of December 15, 1992 among the Transferor, Federated, as Servicer and Chemical Bank, as Trustee and a Variable Funding Supplement thereto;

WHEREAS, as a condition to the CP Issuer's acquisition of the Class A Variable Funding Certificate, the Transferor has made application to the Banks for the commitment of the Banks to make loans to the CP Issuer, the proceeds of which shall be used in accordance with Section 4.03;

WHEREAS, certain affiliates of Federated (each, an "Originator"), Federated Credit Corporation and Allied Stores Credit Corporation have conveyed the Receivables supporting the Class A Variable Funding Certificate to the Transferor (prior to the Transferor's conveyance of such Receivables to the Trust), and Federated will act as Servicer thereof, and is willing to make certain agreements for the benefit of the Banks as provided herein; and

WHEREAS, subject to the terms and conditions set forth herein, the Banks are willing to make loans to the CP Issuer.

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

ARTICLE I

Definitions

SECTION 1.01 Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings set forth for such terms in Annex X annexed hereto.

SECTION 1.02 Other Definitions. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Pooling and Servicing Agreement and Variable Funding Supplement which definitions are incorporated by reference herein.

ARTICLE II

Commercial Paper Operations

SECTION 2.01 Issuance of Commercial Paper.

(a) Subject to the provisions of this Agreement and the other Facilities Documents, the CP Issuer may from time to time on or after the Issuance Date and prior to the latest Expiration Date then in effect, issue and sell Commercial Paper. Notwithstanding the foregoing, the CP Issuer shall, in addition to any other prohibition contained herein or in any other Facilities Document, be prohibited from issuing Commercial Paper and shall not issue Commercial Paper if the CP Issuer, the CP Dealers and the Depository are in receipt of instructions then in effect from the Liquidity Agent (a "Termination Notice"), given in accordance with this Section 2.01(a), not to issue or deliver Commercial Paper because, without gross negligence or willful misconduct, the Liquidity Agent shall have reasonably determined, or shall have been notified in writing by the Required Banks, that (i) the Liquidity Commitment shall have been terminated hereunder pursuant to Section 4.01(a) or 4.01(b) hereof, (ii) the conditions precedent specified in Section 6.02 hereof with respect to the issuance of Commercial Paper have not been satisfied, (iii) the Liquidity Commitment is otherwise terminated in whole for any reason in accordance herewith, (iv) the issuance of Commercial Paper is prohibited by the provisions of Sec-

tion 5.03 hereof or (v) the rating by S&P or Moody's on the Commercial Paper shall be withdrawn or reduced below A-1 or P-1, respectively (provided that, if such reduction or withdrawal results from the withdrawal or downgrading of a Bank's rating by S&P or Moody's, the CP Issuer shall not be prohibited from issuing Commercial Paper, and the Liquidity Agent shall not have the right to deliver a Termination Notice solely as a result thereof, if the CP Issuer shall have replaced such downgraded Bank or terminated such downgraded Bank's Percentage of the Liquidity Commitment, in each case, pursuant to Section 3.16 hereof, and such replacement or termination shall have resulted in the Commercial Paper being rated at least A-1 and P-1 by S&P and Moody's, respectively, by the 60th day after the first date on which such rating of such Bank was withdrawn or downgraded); then, in all cases described in (i) through (v) above, the CP Issuer shall, in addition to any other prohibition contained herein or in any other Facilities Document, be prohibited from issuing Commercial Paper and shall not issue Commercial Paper, other than (1) all Commercial Paper sold by a CP Dealer prior to the receipt of such Termination Notice from the Liquidity Agent, (2) Commercial Paper sold after receipt of instructions from the CP Issuer in accordance with Section 3(d) of the CP Dealer Agreement after the time of receipt of such instructions and (3) the Commercial Paper sold in compliance with the parenthetical in clause (v) above. Any instructions from the Liquidity Agent to the CP Issuer, the CP Dealers and the Depositary in accordance with this Section 2.01(a) shall specify one or more of the events described in clauses (i) through (v) as being the reason(s) to cease issuing and delivering Commercial Paper. If there shall have occurred one or more of the events described in clauses (i) through (v) of this Section 2.01(a) which would permit the delivery of a Termination Notice hereunder the Liquidity Agent agrees that, subject to the next succeeding sentence in the case of an event described in clause (ii) or (v) above, it shall promptly provide the Termination Notice to the CP Issuer, the CP Dealers, the Banks and the Depositary. Additionally, if the CP Issuer has actual knowledge that one or more events described in clauses (i) through (v) above has occurred, the CP Issuer agrees that it shall not sell or issue Commercial Paper, unless, in the case of an event described in clause (ii) (which is not also an event described in Section 6.03) or (v) above, the CP Issuer shall have notified the Liquidity Agent of the occurrence of such event and the Liquidity

Agent (as directed by the Required Banks) shall have instructed the CP Issuer, the Depositary and the CP Dealers to continue issuing Commercial Paper, notwithstanding the occurrence of such event. Prior to and as a condition to the continuance of the issuance of Commercial Paper following its receipt of written notice of the occurrence of such event, the Depositary shall have provided a copy of such notice to the Rating Agencies. Concurrently with the giving of any such instructions to the CP Issuer, the CP Dealers and the Depositary, the Liquidity Agent shall give notice thereof to the Collateral Agent, the Trustee and the Transferor, but failure to do so shall not impair the effectiveness of such instructions.

(b) The CP Issuer agrees that each note constituting Commercial Paper shall (i) be in the form of Exhibit A to the Depositary Agreement and be completed in accordance with this Agreement and the Depositary Agreement or in the form of a BEQ Note issued in accordance with the Depositary Agreement, (ii) be dated the date of issuance thereof, (iii) be made payable to the order of a named payee or bearer, (iv) subject to the penultimate sentence of this Section 2.01(b), have a maturity date which shall not be later than the fifth Business Day prior to the earlier to occur of the Scheduled Maturity Date and the latest Expiration Date in effect for any Bank, (v) have a CP Matured Value of \$200,000 (\$10,000 if purchased by a Dealer for its own account) or an integral multiple of \$1,000 in excess of \$200,000 and (vi) be exempt from or be sold in a transaction exempt from the registration requirements of the Securities Act; provided that no issuance of Commercial Paper shall be made if, after giving effect to such issuance and the use of the proceeds thereof, (A) the sum of the Aggregate CP Matured Value and the outstanding principal amount of all Revolving Loans and Refunding Loans made hereunder would exceed the Liquidity Commitment or (B) the sum of the Principal Component of the Aggregate CP Matured Value and the outstanding principal amount of all Revolving Loans and Refunding Loans would exceed the Available Liquidity Commitment; and provided, further, that no Commercial Paper shall have a maturity date later than the 270th day next succeeding the date of issuance of such Commercial Paper except that to the extent Commercial Paper is permitted to be issued under Section 2.01(a) during the continuance of an Event of Default, such Commercial Paper shall be issued with a maturity date not later than the

latest maturity date of any Commercial Paper Outstanding on the date of the occurrence of such Event of Default. If any Bank has not notified the Liquidity Agent pursuant to Section 4.02(a) hereof that such Bank will extend its Percentage of the Liquidity Commitment beyond the Expiration Date then in effect with respect to such Bank (each a "Non-Extending Bank") and such Bank has not been replaced by the CP Issuer in accordance herewith, then (X) the Aggregate CP Matured Value of Outstanding Commercial Paper maturing on or after such Expiration Date shall not exceed the Liquidity Commitment then in effect minus the sum of each Non-Extending Bank's Bank Commitment Amount (the "Reduced Commitment Amount") less an amount equal to the aggregate principal amount of all Revolving Loans and Refunding Loans at the time outstanding owed to Banks other than such Non-Extending Bank(s) and (Y) in connection therewith, during the period commencing on the 60th day prior to such Expiration Date, the CP Issuer shall manage the issuance and maturities of the Commercial Paper and/or prepay Liquidity Loans such that the Aggregate CP Matured Value of Outstanding Commercial Paper shall be reduced as soon as possible to an amount not in excess of the Reduced Commitment Amount less an amount equal to the aggregate principal amount of all Revolving Loans and Refunding Loans at the time outstanding. Subject to the provisions of the Depositary Agreement, all Commercial Paper shall be delivered and issued against payment therefor in immediately available funds on the date of issuance, and otherwise in accordance with the terms of this Agreement and the Depositary Agreement.

SECTION 2.02 Commercial Paper Account; Payment of Commercial Paper. Contemporaneously with the execution and delivery by the CP Issuer of the Depositary Agreement, and for the purposes of this Agreement, the Security Agreement and the Depositary Agreement, the Depositary shall establish at its corporate trust office in the City of New York a segregated trust account for the exclusive benefit of the holders of the outstanding Commercial Paper (said account being referred to herein and in the Depositary Agreement as the "Commercial Paper Account"), over which the Depositary shall have exclusive control and sole right of withdrawal. Proceeds of the sale of Commercial Paper shall be deposited in the Commercial Paper Account only to the extent necessary to pay matured and concurrently maturing Commercial Paper, whether or not presented to the Depositary for payment; otherwise proceeds of the sale of Commercial Paper shall

be applied at the direction of the CP Issuer in accordance with Section 4.03.

ARTICLE III

Loans

SECTION 3.01 The Revolving Loans and the Refunding Loans.

(a) Subject to and upon the terms and conditions herein set forth, each Bank severally agrees at any time and from time to time prior to the first to occur of (i) such Bank's Expiration Date and (ii) the Scheduled Maturity Date, to make Loans to the CP Issuer, which Loans may be repaid and reborrowed in accordance with the provisions hereof and shall be made by such Banks in the respective amounts determined in accordance with Section 3.15.

(b) No Bank shall be required to make a Revolving Loan on any day that is or occurs after the Amortization Period Commencement Date or if on such day and after giving effect to such Revolving Loan, (i) the sum of (x) the aggregate principal amount of all Revolving Loans and Refunding Loans outstanding and (y) the Principal Component of the Aggregate CP Matured Value would exceed the Available Liquidity Commitment on such day or (ii) the sum of the aggregate principal amount of such Bank's Refunding Loans and Revolving Loans and its Percentage of the Aggregate CP Matured Value would exceed such Bank's Bank Commitment Amount.

(c) No Bank shall be required to make a Refunding Loan on any day, if on such day and after giving effect to such Refunding Loan, (i) the sum of (w) the aggregate principal amount of all Revolving Loans and Refunding Loans outstanding and (x) the Principal Component of the Aggregate CP Matured Value would exceed the Available Liquidity Commitment on such day or (ii) the sum of the aggregate principal amount of such Bank's Revolving Loans and Refunding Loans and its Percentage of the Aggregate CP Matured Value would exceed such Bank's Bank Commitment Amount.

SECTION 3.02 Revolving Loans. (a) The CP Issuer shall give the Liquidity Agent at the Notice Of-

fice written notice substantially in the form of Exhibit H hereto (a "Notice of Revolving Borrowing") of each Borrowing to be comprised of Revolving Loans (each a "Revolving Borrowing"), by 12:15 p.m. (New York City time) (a) three Business Days prior to the proposed date of such Borrowing, if all or any part of the requested Revolving Loans are to be initially maintained as LIBOR Rate Loans or (b) on the proposed date of such Borrowing, if all of the requested Revolving Loans are to be initially maintained as Base Rate Loans. Each Notice of Revolving Borrowing shall specify (i) the principal amount of such Borrowing, which shall be equal to \$1,000,000 and whole multiples of \$1,000,000 in excess thereof (or, if the then Available Liquidity Commitment is less than \$1,000,000, such lesser amount), (ii) the date of such Borrowing (which shall be a Business Day), (iii) that such Borrowing is to be a Revolving Borrowing, (iv) whether the Borrowing is to be of LIBOR Rate Loans, Base Rate Loans or a combination thereof and (v) the respective amounts of each Type of Loan comprising such Revolving Borrowing and, with respect to LIBOR Rate Loans, the respective lengths of the initial Fixed Periods therefor. Subject to and upon the terms and conditions herein set forth, each Bank for which the Expiration Date shall not have occurred shall make a Revolving Loan in a principal amount determined in accordance with Section 3.15; provided that any Revolving Loan to be made by a Bank which had previously made a Non Pro Rata Loan shall be made solely by the transfer by the Collateral Agent (upon instruction of the Liquidity Agent) to the Payment Office of funds on deposit in the Loan Account representing such Bank's Deposit in an amount equal to the Revolving Loan to be made by such Bank.

(b) Each Notice of Revolving Borrowing, once given, shall not be revocable by the CP Issuer. The CP Issuer shall also deliver to the Trustee and the Transferor a copy of such notices. The Liquidity Agent shall notify each applicable Bank (in writing or by telephone, promptly confirmed in writing) of its receipt of a Notice of Revolving Borrowing and the details thereof by 12:45 p.m., New York City time, (or, if such Notice of Revolving Borrowing was received by the Liquidity Agent after 12:15 p.m., New York City time, within 30 minutes after such receipt) on the day such notice is given.

(c) Subject to Section 8.01 hereof, each outstanding Revolving Loan (including each Revolving

Loan made by the conversion of all or a portion of a Bank's Non Pro Rata Loan) made by a Bank shall mature on the Expiration Date applicable to such Bank or, if earlier, the Scheduled Maturity Date; provided, however, that such Revolving Loan made by such Bank shall be prepayable at any time in accordance herewith.

SECTION 3.03 Refunding Loans. (a) If, on any Business Day that Commercial Paper matures, the amount required to pay in full the CP Matured Value of all Commercial Paper maturing on such day is more than the sum of (i) the net amount obtained by the issuance of Commercial Paper on such day plus (ii) the amount available for payment of such Commercial Paper in the Commercial Paper Account, after giving effect to all transfers on such Business Day to such account required by the Security Agreement (the amount of such excess, the "Commercial Paper Deficit"), the Banks shall, upon the request of the CP Issuer or the Depositary, as attorney-in-fact for the CP Issuer pursuant to Section 5(b) of the Depositary Agreement, in accordance with Section 3.03(b) hereof and subject to and upon the terms and conditions herein set forth, make Refunding Loans in an aggregate principal amount equal to the lesser of (i) the Commercial Paper Deficit and (ii) the maximum amount of Refunding Loans able to be made on such Business Day without contravening the provisions of Section 3.01(c). For the purposes of this Section, Commercial Paper maturing on any day which has been paid from an advance made by the Depositary shall nonetheless be deemed to be unpaid. Refunding Loans initially shall be made only as Base Rate Loans.

(b) The CP Issuer or the Depositary, as attorney-in-fact for the CP Issuer pursuant to Section 5(b) of the Depositary Agreement, shall give the Liquidity Agent telephonic notice promptly confirmed in writing at the Notice Office substantially in the form of Exhibit I hereto (a "Notice of Refunding Borrowing") of each Borrowing that is to be comprised of Refunding Loans (each a "Refunding Borrowing"). Each such Notice of Refunding Borrowing shall set forth (i) the aggregate principal amount of such Borrowing and (ii) that such Borrowing is to be a Refunding Borrowing. Subject to and upon the terms and conditions hereof, each Bank for which the Expiration Date shall not have occurred shall make a Refunding Loan in a principal amount determined in accordance with Section 3.15 (x) if such Notice of Refunding Borrowing is received by the Liquidity Agent prior to

12:15 p.m. (New York City time) on any Business Day, on such Business Day, and (y) if such Notice of Refunding Borrowing is not received by the Liquidity Agent prior to 12:15 p.m. (New York City time) on any Business Day, on the Business Day next succeeding such Business Day; provided that any Refunding Loan to be made by a Bank which had previously made a Non Pro Rata Loan shall be made solely by the transfer by the Collateral Agent (upon instruction of the Liquidity Agent) to the Payment Office of funds on deposit in the loan Account representing such Bank's Deposit in an amount equal to the Refunding Loan to be made by such Bank.

(c) Each Notice of Refunding Borrowing, once given, shall not thereafter be revocable by the CP Issuer. The Liquidity Agent shall notify each applicable Bank (in writing or by telephone, promptly confirmed in writing) of its receipt of a Notice of Refunding Borrowing and the details thereof by 12:45 p.m., New York City time (or, if such Notice of Refunding Borrowing was received by the Liquidity Agent after 12:15 p.m., New York City time, within 30 minutes after such receipt) on the day such notice is given.

(d) Subject to Section 8.01 hereof, each outstanding Refunding Loan (including each Refunding Loan made by the conversion of all or a portion of a Bank's Non Pro Rata Loan) made by a Bank shall mature on the Expiration Date for such Bank or, if earlier, the Scheduled Maturity Date; provided, however that such Refunding Loan shall be prepayable at any time in accordance herewith.

(e) If on the 60th day (or such earlier date as may be required to preserve the investment rating of the Commercial Paper) after the short term credit rating assigned to any Bank by S&P or Moody's is withdrawn or downgraded below A-1 or P-1, respectively, and the CP Issuer shall have been unable in good faith, despite its exercise of reasonable efforts to do so, to replace such Bank in accordance with Section 3.16, then, in accordance with the time periods contained in this Section 3.03(e), the CP Issuer or the Depository as its attorney-in-fact may, at the option of the CP Issuer, request of the Liquidity Agent a Non Pro Rata Loan to be made by each such Bank in an amount equal to such Bank's Bank Commitment Amount prior to making such Non Pro Rata Loan minus the aggregate outstanding principal amount of

such Bank's Loans. No Bank shall be required to make more than one Non Pro Rata Loan. Immediately upon the making of any Non Pro Rata Loan by any Bank the Bank Commitment Amount of such Bank shall be reduced by an amount equal to the excess, if any, of the Bank Commitment Amount of such Bank in effect immediately prior to the making of such Non Pro Rata Loan over the sum of the principal amount of such Non Pro Rata Loan plus the aggregate principal amount of all Revolving Loans and Refunding Loans of such Bank at the time outstanding. The notice given by the CP Issuer or the Depositary requesting a Non Pro Rata Loan (a "Notice of Non Pro Rata Borrowing") shall be given by telephone, promptly confirmed in writing, and shall be substantially in the form of Exhibit J hereto. Such notice must be received by the Liquidity Agent no later than 12:15 noon, New York City time, and any notice received after such time on a Business Day shall be deemed to have been received by the Liquidity Agent on the next succeeding Business Day. The Liquidity Agent shall, by 12:45 p.m., New York City time, on the date it received or was deemed to have received such notice notify each Bank which is to make a Non Pro Rata Loan on such day. After making its Non Pro Rata Loan, all Revolving Loans and Refunding Loans required to be made by such Bank on or prior to its Expiration Date shall be made solely from funds in the Loan Account representing such Bank's Deposit. The obligation of any Bank to make a Non Pro Rata Loan under this Section 3.03(e) shall be subject to the conditions set forth in Sections 6.02(a), (b), (c) and (g); provided that the obligation of such Bank to make Revolving Loans and Refunding Loans from the Deposit in the Loan Account shall remain subject to the conditions set forth in Section 6.02 and 6.03, respectively, as if it had not made such Non Pro Rata Loan. Each Bank shall make available to the Liquidity Agent the proceeds of its Non Pro Rata Loan in accordance with Section 3.04(b). Each Non Pro Rata Loan of a Bank shall be initially made as a Base Rate Loan and, subject to Section 8.01 hereof, shall mature on the Expiration Date for such Bank or, if earlier, the Scheduled Maturity Date, provided however that any such Non Pro Rata Loan shall be prepayable at any time in accordance with the terms of this Agreement. The proceeds of any such Non Pro Rata Loan received by the Liquidity Agent shall be promptly remitted to the Collateral Agent and shall be deposited in the Loan Account and shall be available for the purpose of making Refunding Loans or Revolving Loans by the depositing Bank on subsequent

Business Days. Any amount to be applied in repayment of the principal amount of any outstanding Revolving Loans or Refunding Loans of such Bank prior to the Expiration Date with respect to such Bank or, if earlier, the date the Liquidity Commitment is terminated pursuant to Section 4.01 or Article VIII hereof or the Scheduled Maturity Date (A) will be deposited in the Loan Account, (B) will reduce the Revolving Loans and/or Refunding Loans of such Bank and (C) will increase the Non Pro Rata Loan of such Bank by the amount so deposited. If on any Business Day the amount on deposit in the Loan Account with respect to any Bank (other than interest and investment earnings with respect to such deposited amounts) exceeds such Bank's Percentage of the Liquidity Commitment less the amount of such Bank's Revolving Loans and Refunding Loans outstanding on such Business Day, such amount shall be withdrawn from the Loan Account and paid to the Liquidity Agent for the account of such Bank as a repayment of the amount of such Non Pro Rata Loan. In addition, the entire amount on deposit in the Loan Account with respect to any Bank shall be withdrawn from the Loan Account and paid to the Liquidity Agent for the account of such Bank as a repayment of the amount of such Non Pro Rata Loan on the Expiration Date with respect to such Bank or, if earlier, the date the Liquidity Commitment is terminated pursuant to Section 4.01 or Article VIII hereof or the Scheduled Maturity Date. The CP Issuer shall notify the Depositary of the amount, if any, of such Non Pro Rata Loan made on any Business Day.

(f) Each Notice of Non Pro Rata Borrowing, once given, shall not thereafter be revocable by the CP Issuer. The CP Issuer shall also deliver to the Trustee and the Transferor a copy of such notices.

(g) The Collateral Agent shall establish with its trust department in the name of the Collateral Agent on behalf of the holders of the Commercial Paper and each Bank that has made a Non Pro Rata Loan, a certain segregated non-interest-bearing trust account (such account being the "Loan Account"). The CP Issuer acknowledges and agrees that it has no right, title or interest to any amounts or investments at any time on deposit in the Loan Account. The CP Issuer shall deposit or cause to be deposited, at the end of each Business Day, in same day funds, all available funds received in respect of the Non Pro Rata Loan on such day to the Loan Account. Funds in the Loan Account representing the

proceeds of a Non Pro Rata Loan of any Bank (including payments on the Revolving Loans and Refunding Loans of such Bank deposited in the Loan Account pursuant to Section 3.03(e)) (as to each such Bank, its "Deposit") and interest and earnings thereon retained in the Loan Account shall be invested by the Collateral Agent, at the written direction of the CP Issuer, in specified Cash Equivalents. Such Cash Equivalents shall have maturities not later than the next succeeding Business Day. Cash Equivalents shall be maintained in the name of the Collateral Agent or its nominee (and, in either case, its books and records shall include the notation that such Cash Equivalents are maintained pursuant to this Agreement) and, if certificated, the Collateral Agent shall maintain possession of the certificates. Any direction of the CP Issuer to the Collateral Agent to make an investment shall be made in writing and shall certify that such investment is a Cash Equivalent that has a maturity not later than that permitted above. Any earnings (net of losses and investment expenses) on such invested funds in the Loan Account shall, at the written direction of the CP Issuer, be transferred to the Interest Account; and such earnings will not be considered available or on deposit in the Loan Account. The CP Issuer will immediately pay to the Collateral Agent for deposit in the Loan Account the full amount of any loss of principal of any Bank's Deposit resulting from any investment loss or breakage costs attributable to the investment of such principal. The Collateral Agent shall not be liable for any loss or expense incurred in connection with any investment made pursuant to this Section 3.03(g) except for any loss or expense resulting solely from the Collateral Agent's gross negligence or willful misconduct.

SECTION 3.04 Disbursement of Funds. (a) Not later than 2:30 p.m. (New York City time) on the date specified in each Notice of Revolving Borrowing as the proposed date of the Borrowing, each Bank required to make such Loan, so long as such Bank has received notice from the Liquidity Agent in accordance with the final sentence of Section 3.02(b), will make available in freely transferable U.S. dollars and in immediately available or same day funds its share of the Revolving Loan requested in such Notice of Revolving Borrowing at the Payment Office. Unless the Liquidity Agent determines or has been notified by the Required Banks that any condition specified in Section 6.02 has not been satisfied, the Liquidity Agent will remit the aggregate of the

amounts so made available by the Banks to the Collateral Account not later than 3:00 p.m. (New York City time).

(b) Not later than 2:30 p.m. (New York City time) on the date for a Refunding Loan or a Non Pro Rata Loan, each Bank required to make such Loan, so long as such Bank has received notice from the Liquidity Agent in accordance with Section 3.03(c) or 3.03(e), as the case may be, shall make available in freely transferable U.S. dollars and in immediately available or same day funds its share of the Refunding Borrowing or the Non Pro Rata Loan to be made by such Bank at the Payment Office. Unless the Liquidity Agent determines or has been notified by the Required Banks that any condition specified in Section 6.03 or 3.03(e), as the case may be, has not been satisfied, the Liquidity Agent will promptly remit the aggregate amount of such funds made available by the Banks to the Commercial Paper Account not later than 3:00 p.m. (New York City time); provided that the proceeds of Non Pro Rata Loans shall be promptly remitted by the Liquidity Agent to the Collateral Agent for deposit in the Loan Account.

(c) If any Bank shall not fund a Loan as described in Section 3.04(a) or Section 3.04(b), the Liquidity Agent shall not have any obligation to fund such Loan. Each Bank required to fund a Loan on any day shall provide the Liquidity Agent with notice by 2:00 p.m. (New York City time) if such Bank will not make funds available to the Liquidity Agent pursuant to Section 3.04(a) or 3.04(b), as the case may be, on such day. The Liquidity Agent shall provide telephonic notice of any such notice received by the Liquidity Agent relating to a Refunding Loan to the Depositary by 2:15 p.m. (New York City time), which notice shall be promptly confirmed in writing. The Liquidity Agent shall also provide telephonic notice to the Depositary by 2:45 p.m. (New York City time) on the date the proceeds of any Refunding Loan are to be remitted by the Liquidity Agent to the Commercial Paper Account if the full amount of the requested Refunding Loan is not to be so remitted, which notice, if given, shall be promptly confirmed in writing. Unless the Liquidity Agent shall have received the notice described in the third preceding sentence from a Bank prior to the time set forth in such sentence, the Liquidity Agent may (but in no event shall be required to) assume that such Bank has made such funds available to the Liquidity Agent on the date of such payment in accordance

with Section 3.04(a) or Section 3.04(b), as the case may be, and the Liquidity Agent may (but in no event shall be required to), in reliance upon such assumption, remit a corresponding amount in accordance with the last sentence of Section 3.04(a) or 3.04(b), as the case may be. If and to the extent such Bank shall not have so made such funds available to the Liquidity Agent, such Bank irrevocably and unconditionally agrees to repay to the Liquidity Agent forthwith on demand such corresponding amount (a "Bank Defaulted Amount") together with interest thereon, for each day from the date such remittance is made by the Liquidity Agent until the date such amount is repaid to the Liquidity Agent, in an amount for each such day equal to the product of (i) the Federal Funds Rate for such day as determined by the Liquidity Agent, times (ii) the Bank Defaulted Amount of such Bank, times (iii) a fraction the numerator of which is the number one and the denominator of which is 360. The failure of any Bank to make a Loan shall not affect the obligation of any other Bank to make a Loan as required hereunder. A certificate of the Liquidity Agent submitted to any Bank with respect to any amounts owing under this Section 3.04(c) shall be conclusive in the absence of manifest error. If such Bank's Bank Defaulted Amount is not in fact reimbursed to the Liquidity Agent by such Bank within three Business Days of the date of such Borrowing, the Liquidity Agent shall be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the CP Issuer.

SECTION 3.05 The Loan Notes. (a) The Revolving Loans and Refunding Loans (including Revolving Loans and Refunding Loans made pursuant to the proviso to the last sentence of Section 3.02(a) or 3.03(b)) made by each Bank shall be evidenced by a Revolving Loan Note and a Refunding Loan Note, duly executed on behalf of the CP Issuer, in substantially the forms attached hereto as Exhibits A and B, respectively, with the blanks appropriately filled, payable to the order of such Bank and each of which shall: (i) be dated the Issuance Date; (ii) collectively be in an aggregate principal amount equal to the Liquidity Commitment and individually be in a principal amount equal to such Bank's Bank Commitment Amount; (iii) be stated to mature on such Bank's Expiration Date or, if earlier, the Scheduled Maturity Date; (iv) bear interest as provided in Section 3.07; and (v) be entitled to the benefits of this Agreement and the Security Agreement.

(b) The Non Pro Rata Loan made by any Bank shall be evidenced by a Non Pro Rata Loan Note, duly executed on behalf of the CP Issuer, in substantially the form attached hereto as Exhibit C, with the blanks appropriately filled, payable to the order of such Bank and each of which shall: (i) be dated the date of the making of the Non Pro Rata Loan of such Bank; (ii) be in an amount equal to such Bank's Bank Commitment Amount; (iii) be stated to mature on such Bank's Expiration Date or, if earlier, the Scheduled Maturity Date; (iv) bear interest as provided in Section 3.07; and (v) be entitled to the benefits of this Agreement and the Security Agreement.

(c) Each Bank shall, and is hereby authorized to, endorse on the schedule attached to each Loan Note (or on a continuation of such schedule attached to such Loan Note and made a part thereof or otherwise to record in such Bank's internal records), an appropriate notation evidencing the date and the amount of each Loan evidenced thereby from such Bank, including any Revolving Loans and Refunding Loans made pursuant to the proviso to the last sentence of Section 3.02(a) or 3.03(b), of each payment or prepayment of principal thereof, including any reduction in the principal amount of such Bank's Non Pro Rata Loan as a result of its conversion into a Refunding Loan or a Revolving Loan pursuant to Section 3.03(e) (which notations shall be conclusive in the absence of manifest error) and, prior to any transfer of any of its Loan Notes, such Bank shall endorse the outstanding principal amount of its Loans on the applicable Loan Note on the schedule attached thereto; provided, however, that the failure of any Bank to make such notation or any failure therein shall not affect the obligation of the CP Issuer to repay the Loans made by such Bank in accordance with the terms of this Agreement and the applicable Loan Notes or otherwise adversely affect such Bank's rights with respect to any Loan.

SECTION 3.06 Conversions. The CP Issuer shall have the option subject to the provisions of Sections 3.08 and 3.09 and the following provisions of this Section 3.06, to convert on any Business Day in the case of Base Rate Loans, and on the last day of any Fixed Period in the case of LIBOR Rate Loans, all or any part of the outstanding principal amount of Revolving Loans or Refunding Loans made pursuant to a single Borrowing or outstanding Non Pro Rata Loans from one Type of Loan into another Type of Loan; provided that (i) following the

occurrence and continuance of any Default or Event of Default, no conversion shall have the effect of converting any Base Rate Loan into a LIBOR Rate Loan and (ii) Base Rate Loans may not be converted into LIBOR Rate Loans unless the amount to be converted exceeds \$10,000,000 or if, after giving effect to such conversion, there shall be no more than four separate Fixed Periods for LIBOR Rate Loans. Each such conversion shall be made pro rata among the Revolving Loans or Refunding Loans made pursuant to a single Borrowing or outstanding Non Pro Rata Loans and shall be effected by the CP Issuer by giving written notice or telephonic notice no later than 12:45 p.m. (New York City time) on the third Business Day prior to the date of such proposed conversion (confirmed in writing promptly thereafter) (each a "Notice of Conversion") to the Liquidity Agent at its Notice Office. The Liquidity Agent shall promptly notify each Bank of its receipt of a Notice of Conversion and the details thereof. Each Notice of Conversion shall be irrevocable and shall specify the Loans to be converted, the Type of Loans to be converted into and, if applicable, the Fixed Period to be applicable thereto. Upon any conversion of Revolving Loans, Non Pro Rata Loans or Refunding Loans provided for in this Agreement, the proceeds thereof will be applied to the repayment of the outstanding principal amount of the Loans being converted.

SECTION 3.07 Interest. (a) The CP Issuer agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date the proceeds thereof are made available to the CP Issuer until maturity (whether by acceleration or otherwise) or prepayment in full or conversion into a LIBOR Rate Loan at a rate per annum for each day equal to the Liquidity Bank Base Rate in effect for such day plus the Applicable Margin in effect for such day.

(b) The CP Issuer agrees to pay interest in respect of the unpaid principal amount of each LIBOR Rate Loan from the date the proceeds thereof are made available to the CP Issuer until maturity (whether by acceleration or otherwise) or prepayment in full or conversion into a Base Rate Loan at a rate per annum which shall equal the LIBOR Rate for each applicable Fixed Period plus the Applicable Margin.

(c) The Liquidity Agent, upon determin-

ing the LIBOR Rate for any Fixed Period, shall promptly notify the CP Issuer and the Banks thereof by telephone or in writing. The Liquidity Agent's determination of the LIBOR Rate shall be conclusive, absent manifest error.

(d) The CP Issuer agrees to pay interest in respect of the unpaid principal amount of and interest on each Loan from the due date thereof until paid in full (after as well as before judgment) on demand at a rate per annum equal to 1% in excess of the Liquidity Bank Base Rate from time to time in effect with respect to Base Rate Loans and 2% in excess of the LIBOR Rate from time to time in effect with respect to LIBOR Rate Loans. All other amounts owing to the Liquidity Agent or the Banks hereunder which are not paid when due shall bear interest, payable by the CP Issuer on demand, for the period from such due date until paid in full (after as well as before judgment) at a rate per annum equal to 1% in excess of the Liquidity Bank Base Rate from time to time in effect.

(e) Accrued interest in respect of each Base Rate Loan shall be payable on each Distribution Date, on any prepayment or conversion (on the amount prepaid or converted), at maturity (whether by acceleration, demand or otherwise), and after such maturity, on demand. Accrued interest in respect of each LIBOR Rate Loan shall be payable on the last day of each Fixed Period applicable to such Loan, on any prepayment or conversion (on the amount prepaid or converted), at maturity (whether by acceleration, demand or otherwise), and after such maturity, on demand.

SECTION 3.08 Market Unavailability; Illegality, etc.

In the event that any Bank shall have determined (which determination shall be made only after consultation with the Liquidity Agent):

(i) on any date for determining the LIBOR Rate for any Fixed Period, that by reason of any changes arising after the date of this Agreement adversely affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the appli-

cable interest rate on the basis provided for in the definition of LIBOR Rate; or

(ii) at any time, that by reason of any change since the date of this Agreement in any applicable law or governmental rule, regulation, guideline or order (or any interpretation thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) the LIBOR Rate shall not represent the effective pricing to such Bank for funding or maintaining its affected LIBOR Rate Loans or its Percentage of the Liquidity Commitment; or

(iii) at any time, that the making or continuance of any LIBOR Rate Loan has become unlawful or impracticable by compliance by such Bank in good faith with any law, governmental rule, regulation, guideline or order, or has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Bank shall on such date give notice (by telephone confirmed in writing) to the CP Issuer and the Liquidity Agent of such determination. Thereafter (x) in the case of clauses (i) and (ii), the CP Issuer shall pay to such Bank, upon written demand therefor submitted through the Liquidity Agent (a copy of which demand shall be provided to Federated simultaneously with its delivery to the CP Issuer), such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Bank in its sole discretion shall determine) as shall be required to cause such Bank to receive interest with respect to its affected LIBOR Rate Loan at a rate per annum equal to the effective pricing to such Bank to make or maintain such LIBOR Rate Loan plus the Applicable Margin (in each case accompanied by a certificate as to additional amounts owed such Bank, showing the basis for the calculation thereof, submitted to Federated and the CP Issuer by such Bank), and (y) in the case of clause (iii), the affected LIBOR Rate Loan shall be automatically converted into a Base Rate Loan at the end of the current Fixed Period therefor or, if earlier, when required by applicable law.

SECTION 3.09 Fixed Periods. At the time the CP Issuer gives any Notice of Borrowing or Notice of Conversion in respect of LIBOR Rate Loans (in the case of the initial Fixed Period applicable thereto) or prior to 12:45 p.m. (New York City time) on the third Business Day prior to the expiration of a Fixed Period applicable to such Loans (in the case of subsequent Fixed Periods), the CP Issuer shall specify, by giving the Liquidity Agent written notice (or telephonic notice confirmed in writing promptly thereafter), the fixed period (each a "Fixed Period") applicable to such Borrowing of LIBOR Rate Loans, which Fixed Period shall be a one month period or such other period as may be agreed to by all of the Banks; provided, that: (i) the initial Fixed Period for any LIBOR Rate Loan shall commence on the date of such LIBOR Rate Loan (including the date of any conversion into a LIBOR Rate Loan from a Loan of a different Type) and each Fixed Period occurring thereafter in respect of such LIBOR Rate Loan shall commence on the last day of the next preceding Fixed Period in respect of such LIBOR Rate Loan; (ii) if any Fixed Period would otherwise expire on a day which is not a Business Day, such Fixed Period shall expire on the next succeeding Business Day; provided, however, that if any Fixed Period would otherwise expire on (x) a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Fixed Period shall expire on the next preceding Business Day or (y) a day for which there is no numerically corresponding day in the applicable subsequent calendar month, such Fixed Period shall expire on the last Business Day of such applicable subsequent calendar month; and (iii) no Fixed Period shall extend beyond the Scheduled Maturity Date or beyond the Expiration Date of any Bank which made such LIBOR Rate Loan. If (A) upon the expiration of any Fixed Period for any LIBOR Rate Loans, the CP Issuer has failed to specify a new Fixed Period to be applicable to such LIBOR Rate Loans as provided above, or (B) any Default or Event of Default shall be continuing on the third Business Day preceding the expiration of a Fixed Period for LIBOR Rate Loans, the CP Issuer shall be deemed to have elected to convert such LIBOR Rate Loans into Base Rate Loans effective as of the expiration date of such current Fixed Period.

SECTION 3.10 Compensation. The CP Issuer shall compensate each Bank, upon its written request (which request shall set forth in reasonable detail the

basis for requesting such amounts), for all losses, expenses and liabilities (other than loss of profits) which such Bank may sustain: (i) if for any reason (other than a default by such Bank) a borrowing of any LIBOR Rate Loan does not occur on a date specified therefor in a Notice of Borrowing or a Notice of Conversion (whether or not withdrawn), (ii) if any prepayment or conversion of any of its LIBOR Rate Loans occur on a date which is not the last day of the Fixed Period applicable thereto, (iii) if any prepayment of any of its LIBOR Rate Loans is not made on any date specified in a notice of prepayment given by the CP Issuer, or (iv) as a consequence of any other default by the CP Issuer to repay its LIBOR Rate Loans when required by the terms of this Agreement.

SECTION 3.11 Increased Costs. If, due to either (a) the introduction of, or any change in, or in the administration or interpretation of any law, rule or regulation (domestic or foreign) or (b) the compliance with any directive, guideline or request from any central bank or other governmental or monetary authority (whether or not having the force of law) promulgated or made after the date hereof, (i) there shall be an increase in the cost to any Bank of making, funding or maintaining its Commitment or any Loan hereunder (including, without limitation, as a result of the imposition or modification of any reserve, special deposit or similar requirement or any assessment by the FDIC against the Commitment or Loans of any Bank hereunder) or (ii) any amount receivable by any Bank hereunder shall be reduced or any Bank shall be required to make a payment calculated by reference to the principal of, or interest on, any Loan made by it or any fee payable to it (other than any such increased cost, reduction in the amount receivable, or payment required to be made resulting from the imposition or an increase in the rate of any Taxes or Other Taxes unless such Taxes or Other Taxes are payable by the CP Issuer under Section 3.13), then the CP Issuer shall, from time to time, upon demand by such Bank submitted through the Liquidity Agent (a copy of which demand shall be provided to Federated simultaneously with its delivery to the CP Issuer), pay the Liquidity Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost, reduction or payment. A certificate as to the amount of such increased cost, reduction or payment, submitted to the CP Issuer and Federated by such Bank through the Liquidity Agent, shall be conclusive and binding for all purposes,

absent manifest error. If the CP Issuer becomes obligated to pay additional amounts described in this Section 3.11 as a result of any condition described in this Section 3.11 and payment of such amount is demanded by any Bank, then the CP Issuer may, on ten Business Days' prior written notice to the Liquidity Agent and such Bank, cause such Bank to (and such Bank shall), upon payment in full of all amounts owing to such Bank (by the CP Issuer, Federated and/or the assignee bank or financial institution) under this Agreement (including all amounts under this Section 3.11 through the date of assignment), assign pursuant to Section 10.05 all of its rights and obligations under this Agreement to a bank or financial institution selected by the CP Issuer and approved in advance in writing by the Liquidity Agent (which approval shall not be unreasonably withheld); provided that in no event shall the assigning Bank be required to pay or surrender to such purchasing bank or financial institution any of the fees received by such assigning Bank pursuant to this Agreement. If the CP Issuer is unable to find a replacement Bank pursuant to the preceding sentence, the CP Issuer may, on at least ten Business Days' prior written notice to the Liquidity Agent and such Bank, upon payment in full of all amounts owing to such Bank under this Agreement (including all amounts under this Section 3.11 through the date of termination), reduce the Bank Commitment Amount of such Bank to zero and terminate the Commitment of such Bank pursuant to Section 4.01 whereupon such Bank shall cease to be a Bank hereunder; provided that in no event shall any such termination be effective hereunder if following such termination the sum of (x) the Aggregate CP Matured Value and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder would exceed the Liquidity Commitment as reduced by such Bank's Percentage thereof.

SECTION 3.12 Increased Capital. If either (i) the introduction of, or any change in, or in the administration or interpretation of, any law, rule or regulation (domestic or foreign) or (ii) compliance with any directive, guideline or request (including, any law, rule, regulation, interpretation, guideline or request contemplated by or arising out of the report dated July 1988 entitled "International Convergence of Capital Measurement and Capital Standards" issued by the Basle Committee on Banking Regulations and Supervisory Practices) from any central bank or other governmental or monetary authority (whether or not having the force of law) promul-

gated or made after the date hereof affects or would affect the amount of capital required or expected to be maintained by any Bank or any corporation controlling such Bank and such Bank reasonably determines that the amount of such capital is increased by or based upon the existence of such Bank's agreement to make or maintain Loans or its Commitment hereunder (taking into account such Bank's or controlling corporation's policies with respect to capital adequacy), then, upon demand by such Bank submitted through the Liquidity Agent (a copy of which demand shall be provided to Federated simultaneously with its delivery to the CP Issuer), the CP Issuer shall immediately pay to the Liquidity Agent for the account of such Bank from time to time, as specified by such Bank, additional amounts sufficient to compensate such Bank or such controlling corporation for such increased costs in light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's agreements hereunder (taking into account such Bank's or controlling corporation's policies with respect to capital adequacy). A certificate as to such amounts submitted to the CP Issuer by such Bank through the Liquidity Agent shall be conclusive and binding for all purposes, absent manifest error. If the CP Issuer becomes obligated to pay additional amounts described in this Section 3.12 as a result of any condition described in this Section 3.12 and payment of such amount is demanded by any Bank, then the CP Issuer may, on ten Business Days' prior written notice to the Liquidity Agent and such Bank, cause such Bank to (and such Bank shall), upon payment in full of all amounts owing to such Bank (by the CP Issuer, Federated and/or the assignee bank or financial institution) under this Agreement (including all amounts under this Section 3.12 through the date of assignment), assign pursuant to Section 10.05 all of its rights and obligations under this Agreement to a bank or financial institution selected by the CP Issuer and approved in advance in writing by the Liquidity Agent (which approval shall not be unreasonably withheld); provided that in no event shall the assigning Bank be required to pay or surrender to such purchasing bank or financial institution any of the fees received by such assigning Bank pursuant to this Agreement. If the CP Issuer is unable to find a replacement Bank pursuant to the preceding sentence, the CP Issuer may, on at least ten Business Days' prior written notice to the Liquidity Agent and such Bank, upon payment in full of all amounts

owing to such Bank under this Agreement (including all amounts under this Section 3.12 through the date of termination), reduce the Bank Commitment Amount of such Bank to zero and terminate the Commitment of such Bank pursuant to Section 4.01, whereupon such Bank shall cease to be a Bank hereunder; provided that in no event shall any such termination be effective hereunder if following such termination the sum of (x) the Aggregate CP Matured Value and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder would exceed the Liquidity Commitment as reduced by such Bank's Percentage thereof.

SECTION 3.13 Taxes. (a) Any and all payments to the Liquidity Agent and the Banks hereunder and under the Loan Notes shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, (i) in the case of the Banks and the Liquidity Agent, taxes that would not be imposed but for a connection between the Banks or the Liquidity Agent (as the case may be) and the jurisdiction imposing such tax, other than a connection arising by virtue of the activities of the Banks or the Liquidity Agent (as the case may be) pursuant to or in respect of this Agreement or under any other Facilities Document, including, without limitation, entering into, lending money or extending credit pursuant to, receiving payments under, or enforcing, this Agreement or any other Facilities Document, and (ii) in the case of the Banks, United States withholding tax payable with respect to payments hereunder or under the other Facilities Documents under laws (including, without limitation, any statute, treaty, ruling, determination or regulation) in effect on the Initial Date (as hereinafter defined) for the Banks, but not excluding any United States withholding tax payable as a result of any change in such laws occurring after the Initial Date (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). For purposes of this Section, the term "Initial Date" shall mean, in the case of the initial Banks, the Issuance Date and, in the case of any Person who becomes a Bank as a result of an assignment hereunder, the date of the assignment pursuant to which it became a Bank. If any Taxes shall be required by law to be deducted from or in respect of any sum payable hereunder to the Banks or the Liquidity Agent, (i) the sum payable hereunder and

under the Loan Notes shall be increased (and the CP Issuer shall pay such increase) as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.13) the Banks or the Liquidity Agent (as the case may be) receive an amount equal to the sum they would have received had no such deductions been made, (ii) the CP Issuer shall make or cause to be made such deductions and (iii) the CP Issuer shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. The CP Issuer shall not, however, be required to pay amounts, if any, pursuant to clause (i) of the preceding sentence to any Bank, if it is organized under the laws of a jurisdiction outside of the United States, unless such Bank has provided to the CP Issuer either (x) a facially complete Internal Revenue Service Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Bank's entitlement as of its Initial Date to an exemption from, or reduction of, United States withholding tax on payments to be made hereunder or under the Loan Notes or (y) a letter stating that such Bank is unable lawfully to provide a properly completed and executed Form 4224 or Form 1001 certifying to such effect. Each Bank shall provide to the CP Issuer the applicable form on its Initial Date.

(b) The CP Issuer agrees to pay any present or future stamp, recording or documentary taxes or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any Loan Note or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any Loan Note (hereinafter referred to as "Other Taxes").

(c) The CP Issuer will indemnify the Banks and the Liquidity Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.13) paid by the Banks or the Liquidity Agent (as the case may be) and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date any Bank or

the Liquidity Agent (as the case may be) makes written demand therefor (a copy of which demand shall be provided to Federated simultaneously with its delivery to the CP Issuer).

(d) Within 30 days after the date of any payment of Taxes, the CP Issuer will furnish to the Liquidity Agent, at its address referred to in Section 10.06, the original or a certified copy of a receipt or other documents reasonably acceptable to the Liquidity Agent evidencing payment thereof. If no Taxes are payable in respect of any payment hereunder, then, upon the reasonable request of the Liquidity Agent, the CP Issuer will furnish to the Liquidity Agent, at such address, a certificate from each appropriate taxing authority, or upon the reasonable request of the Liquidity Agent an opinion of counsel acceptable to the Liquidity Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Unless the CP Issuer and the Liquidity Agent have received forms or other documents satisfactory to them establishing that payments hereunder are not subject to United States withholding tax as required by paragraph (a) of this Section, or are subject to such tax at a reduced rate under an applicable tax treaty, the CP Issuer or the Liquidity Agent shall, subject to their obligations under paragraph (a) of this Section, withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Bank, if it is organized under the laws of a jurisdiction outside the United States.

(f) On each Initial Date and additionally within 30 days of the written request of the CP Issuer, the Liquidity Agent and a Bank, as appropriate, shall execute and deliver to the CP Issuer such certificates, forms or other documents which can be furnished consistent with the facts and which are reasonably necessary to assist the CP Issuer in applying for refunds of taxes remitted hereunder; provided that neither the Liquidity Agent nor any Bank shall be required to provide access to its tax records or any other information it deems confidential to the CP Issuer.

(g) Without prejudice to the survival of any other agreement of the CP Issuer and the Banks hereunder, the agreements and obligations of the CP Issuer

er contained in this Section 3.13 and of the Banks to provide the forms, certificates or other documents specified in Sections 3.13(a) and 3.13(f) shall survive the repayment in full of the Loans.

(h) If the CP Issuer becomes obligated to pay any Taxes or Other Taxes described in this Section 3.13 with respect to any Bank, then the CP Issuer may, on ten Business Days' prior written notice to the Liquidity Agent and such Bank, cause such Bank to (and such Bank shall), upon payment in full of all amounts owing to such Bank (by the CP Issuer, Federated and/or the assignee bank or financial institution) under this Agreement (including all amounts owing under this Section 3.13 through the date of assignment), assign pursuant to Section 10.05 all of its rights and obligations under this Agreement to a bank or financial institution selected by the CP Issuer and approved in advance in writing by the Liquidity Agent (which approval shall not be unreasonably withheld); provided that in no event shall the assigning Bank be required to pay or surrender to such purchasing bank or financial institution any of the fees received by such assigning Bank pursuant to this Agreement. If the CP Issuer is unable to find a replacement Bank pursuant to the preceding sentence, the CP Issuer may, on at least ten Business Days' prior written notice to the Liquidity Agent and such Bank, upon payment in full of all amounts owing to such Bank under this Agreement (including all amounts owing under this Section 3.13 through the date of termination), reduce the Bank Commitment Amount of such Bank to zero and terminate the Commitment of such Bank pursuant to Section 4.01 whereupon such Bank shall cease to be a Bank hereunder; provided that in no event shall any such termination be effective hereunder if following such termination the sum of (x) the Aggregate CP Matured Value and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder would exceed the Liquidity Commitment as reduced by such Bank's Percentage thereof.

SECTION 3.14 Extent of Obligations. Without limiting the provisions of Section 3.18, the Liquidity Agent and the Banks agree that the obligations of the CP Issuer set forth in Sections 3.10, 3.11, 3.12, 3.13 and 10.04 hereof shall be subject to the obligation of the CP Issuer to make payments of principal of and interest on the Loans and the Commercial Paper, shall be payable solely from Supplemental Payments and other amounts

available therefor under the Pooling and Servicing Agreement and the Security Agreement and shall constitute claims against the assets of the CP Issuer not granted as collateral under the Security Agreement only to the extent (if any) that such assets of the CP Issuer are sufficient for the payment thereof.

SECTION 3.15 Pro Rata Borrowings. All Revolving Loans and Refunding Loans hereunder (including any such Loans made by application of all or a portion of a Bank's Deposit in the Loan Account) shall be made by the Banks required to make such Loans hereunder in accordance with Section 3.01 simultaneously and pro rata based upon the ratio of the Bank Commitment Amount of each such obligated Bank to the aggregate of the Bank Commitment Amounts of all such obligated Banks. Non Pro Rata Loans shall be made in accordance with Section 3.03(e). No Bank shall be responsible for any default by any other Bank in such other Bank's obligations to make Revolving Loans and Refunding Loans hereunder and each Bank shall be obligated to make the Revolving Loans and Refunding Loans provided to be made by it hereunder, regardless of the failure of any other Bank to fulfill its Commitment hereunder; provided, however, if on any day any Bank shall default in its obligation to make a Revolving Loan or a Refunding Loan hereunder and if on such date there are more than ten Banks (excluding such defaulting Bank and each previous defaulting Bank), each remaining Bank shall be required to fund the amount of the Revolving Loan or Refunding Loan not funded by the defaulting Bank in an amount equal to the lesser of (i) its proportionate share (based upon the nondefaulting Banks' Bank Commitment Amounts) of the defaulting Bank's Loan amount and (ii) the Bank Commitment Amount of such non-defaulting Bank less the aggregate principal amount of the outstanding Revolving Loans and Refunding Loans made by such Bank.

SECTION 3.16 Downgrading of Banks. If at any time prior to its Expiration Date the credit rating assigned to any Bank (a "Downgraded Bank") by S&P or Moody's is withdrawn or downgraded below A-1 or P-1, respectively, the CP Issuer may, upon five Business Days' prior written notice given to the Liquidity Agent and such affected Bank, (i) replace such affected Bank with a financial institution reasonably acceptable to the Liquidity Agent (which financial institution shall sign such documents and instruments as shall be appropriate to

assume the obligations of such affected Bank in accordance with Section 10.05) having short-term ratings of at least A-1 by S&P and P-1 by Moody's or with a Bank already a party to this Agreement, provided that no such replacement pursuant to this clause (i) shall be effective until all amounts owing to the Bank to be replaced under this Agreement are paid in full and unless S&P and Moody's shall have confirmed in writing to the CP Issuer and Liquidity Agent that such replacement would not result in a withdrawal or reduction of the rating by S&P and Moody's of the Commercial Paper below A-1 and P-1, respectively; or (ii) subject to compliance with Section 4.01 and the payment in full of all amounts owing to the affected Bank under this Agreement, reduce to zero such affected Bank's Bank Commitment Amount; provided that in no event shall any such action under this clause (ii) be effective hereunder if following such termination the sum of (x) the Aggregate CP Matured Value and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder would exceed the Liquidity Commitment as so reduced; provided, however, that, until such time as one of the actions required by clauses (i) or (ii) hereof is completed, the affected Bank's Percentage of the Liquidity Commitment shall not be terminated (except pursuant to Section 4.01 or Article VIII hereof). If, despite its exercise of reasonable efforts to do so, the CP Issuer fails or is unable to take either of the actions described in clause (i) or (ii) of the first sentence of this Section 3.16 with respect to a Downgraded Bank by the 60th day after such downgrade, the CP Issuer may request a Non Pro Rata Loan from such Bank in accordance with Section 3.03(e).

SECTION 3.17 Fees. (a) The CP Issuer agrees to pay to the Liquidity Agent, for distribution to each Bank the "up-front" fees and liquidity fees set forth in the fee letter pertaining to this Agreement (the "Fee Letter").

(b) The CP Issuer agrees to pay to the Liquidity Agent, for its own account, the agency fees set forth in the Fee Letter pertaining to this Agreement.

SECTION 3.18 Guaranty of Certain Obligations.

(a) Federated unconditionally guarantees, as a full recourse obligation, the full and prompt payment when due of all of the payment obligations of the

CP Issuer set forth in Sections 3.08, 3.11, 3.12, 3.13 and 10.04 of this Agreement now or hereafter existing, or due or to become due (collectively, the "Guaranteed Obligations"). Upon failure of any of the Guaranteed Obligations to be paid on the due date thereof, Federated shall immediately make such payment to the Liquidity Agent in the amount required hereby. The Banks shall be entitled to the benefits of Section 3.13 in connection with such payment.

Federated agrees that its obligations under this Section 3.18 shall be unconditional irrespective of (i) the validity, enforceability, discharge, disaffirmance, settlement or compromise (by any Person, including a trustee in bankruptcy) of the Guaranteed Obligations or this Agreement, (ii) the absence of any attempt to collect the Guaranteed Obligations from the CP Issuer, (iii) the waiver or consent by the Trustee, the Liquidity Agent or any of the Banks with respect to any provision of any agreement or instrument evidencing or relating to the Guaranteed Obligations, (iv) any change of the time, manner or place of payment or performance, or any other term of any of the Guaranteed Obligations, (v) any law, rule, regulation or order of any jurisdiction affecting any term of any of the Guaranteed Obligations or the rights of the Banks with respect hereto, (vi) the failure by the Trustee, the Servicer, the Liquidity Agent or the CP Issuer to take any steps to perfect and maintain perfected the Trustee's interest in the Receivables or the Collateral Agent's interest in the Collateral under the Security Agreement or other property acquired by the Collateral Agent from the CP Issuer or any other security or collateral relating to the Guaranteed Obligations or (vii) any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

Federated agrees that the guaranty provided by this Section 3.18 is a guaranty of payment of the Guaranteed Obligations when due and not of collection and that the Banks shall be under no obligation to foreclose on or to marshal any assets in favor of or against or in payment of any or all of the Guaranteed Obligations. Federated further agrees that, to the extent that the CP Issuer makes a payment or payments of Guaranteed Obligations to the Banks, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or re-

quired to be repaid to the transferor, its estate, trustee, receiver, conservator or any other party, including, without limitation, Federated, under any bankruptcy, insolvency, receivership, conservatorship or similar state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the Guaranteed Obligations or part thereof that has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. Federated waives all set-offs and counterclaims and all presentments, demands for performance, notices of dishonor and notice of acceptance hereof. Federated agrees that its obligations under this Section 3.18 shall be irrevocable and shall survive the termination of this Agreement. All rights of Federated against the CP Issuer or any of the Collateral arising as a result of any payment made by Federated under this Section 3.18 (including without limitation any and all rights of subrogation) are hereby irrevocably waived and shall not be exercised.

ARTICLE IV

Other Credit Terms

SECTION 4.01 Reduction, Termination and Increase of Liquidity Commitment. (a) The CP Issuer may, upon at least three Business Days' prior irrevocable written notice to the Trustee, the Transferor, the Liquidity Agent (who shall promptly give written notice thereof to each Bank), the CP Dealers and the Depository, terminate the Liquidity Commitment in whole on or after the first date on which (i) the CP Issuer shall have ceased issuing Commercial Paper and (ii) no Commercial Paper is Outstanding and no Loans are outstanding.

(b) The CP Issuer shall have the right, at any time and from time to time, to permanently reduce the Liquidity Commitment by an amount of \$5,000,000 or any larger multiple thereof; provided that the foregoing limitation on the permissible amount of the reduction of the Liquidity Commitment shall not apply to any reduction thereof resulting from the reduction of the Bank Commitment Amount of any Existing Bank, Downgraded Bank or Bank which has made a demand for any material compensation or increased amount pursuant to Section 3.08, 3.11, 3.12 or 3.13 hereof (each an "Affected Bank") in accordance with

the proviso to the second succeeding sentence. Any such reduction shall be without penalty, and shall be made by giving at least three Business Days' prior irrevocable written notice to the Liquidity Agent (who shall promptly give written notice thereof to each Bank), the CP Dealers and the Depositary specifying the scheduled date (which shall be a Business Day) of such reduction and the amount of such reduction. In the event of any such reduction, the Bank Commitment Amount of each Bank will be reduced pro rata on the basis of the Bank Commitment Amount of each Bank; provided that so long as no Event of Default shall then be continuing the CP Issuer may direct that any such reduction be applied, to the extent thereof, first to the Bank Commitment Amount of each Existing Bank (pro rata among all Existing Banks on the basis of their respective Bank Commitment Amounts), second, to the Bank Commitment Amount of each other Affected Bank (pro rata on the basis of the Bank Commitment Amounts of each such Affected Bank) and third, to the Bank Commitment Amount of all other Banks (pro rata on the basis of the Bank Commitment Amounts of each such Bank); and provided further that, except as provided in the last sentence of this paragraph, the Bank Commitment Amount of any Bank may not be reduced to an amount less than the aggregate principal amount of the Liquidity Loans of such Bank at the time outstanding. Such partial reduction of the Liquidity Commitment shall be effective on the scheduled date specified in the CP Issuer's notice; provided, however, that no such reduction shall be effective (i) unless S&P and Moody's shall have confirmed in writing to the CP Issuer and the Liquidity Agent that such reduction would not result in the withdrawal or reduction of the then current rating by S&P and Moody's of the Commercial Paper, and (ii) to the extent that, on the scheduled date of such reduction, the sum of (x) the Aggregate CP Matured Value and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder would exceed the Liquidity Commitment as so reduced. The Bank Commitment Amount of each Bank shall be reduced to zero (and the Liquidity Commitment shall be reduced by the amount of such reduction) on such Bank's Expiration Date.

(c) On any day from and after the Amortization Period Commencement Date with respect to the Variable Funding Certificate, the Liquidity Commitment shall be automatically reduced (pro rata among the Banks based upon their respective Bank Commitment Amounts) by an amount equal to the excess, if any, of (i) the amount

of the Liquidity Commitment in effect on such day over
(ii) the amount of the Requisite Commitment Level determined for such day.

(d) So long as no Default or Event of Default has occurred and is continuing, the CP Issuer shall have the right, at any time prior to the Amortization Period Commencement Date with respect to the Variable Funding Certificates, to increase the amount of the Liquidity Commitment to an amount not in excess of \$750,000,000 or such greater amount as may have been consented to in writing by the Liquidity Agent (which consent shall not be unreasonably withheld) by (x) increasing the Bank Commitment Amount of any Bank, subject to such Bank's consent, or (y) adding one or more financial institutions (each, a "New Bank") having short-term ratings of at least A-1 by S&P and P-1 by Moody's and approved in advance in writing by the Liquidity Agent (which approval shall not be unreasonably withheld) as parties to this Agreement. No such increase in the amount of the Liquidity Commitment shall be effective unless (i) S&P and Moody's shall have confirmed in writing to the CP Issuer and the Liquidity Agent that such increase would not result in the withdrawal or reduction of the current rating by S&P and Moody's, respectively, of the Commercial Paper, (ii) each Bank agreeing to any increase in its Bank Commitment Amount shall have executed and delivered such documents as may be necessary to reflect such increase, (iii) any New Bank proposing to become a Bank hereunder delivers opinions of counsel (covering, inter alia, the enforceability of this Agreement and such other matters as may be necessary to maintain the ratings of the Commercial Paper by S&P and Moody's) and any required tax forms pursuant to Section 3.13(a), (iv) the CP Issuer shall have executed and delivered to the Liquidity Agent, for delivery to each such increasing Bank or New Bank, a Revolving Loan Note and a Refunding Loan Note, each dated the date of issuance thereof, payable to the order of each such Bank, in a stated principal amount equal to such New Bank's Bank Commitment Amount or such increasing Bank's increased Bank Commitment Amount (against return and cancellation of the Loan Note held by any increasing Bank) and (v) each such New Bank shall execute and deliver to the Liquidity Agent a counterpart to this Agreement. To the extent that any Banks shall have outstanding Non Pro Rata Loans on the date on which a New Bank is added or any existing Bank increases its Bank Commitment Amount such

Non Pro Rata Loans shall be repaid (by the application of funds in the Loan Account) pro rata to each Bank then having Non Pro Rata Loans outstanding to the extent of the New Bank's Bank Commitment Amount or the amount of the increase of the Bank Commitment Amount of the existing Bank, as the case may be. The execution and delivery by each such New Bank of a counterpart of this Agreement will be deemed to be a representation and warranty by such New Bank that it has, independently and without reliance on any other Person, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and to make Loans hereunder. From and after satisfaction of the applicable conditions set forth in the third preceding sentence each New Bank shall be deemed to be a Bank hereunder and under the other Facilities Documents as of the date of issuance of the related Loan Notes.

(e) The Liquidity Agent shall give notice to the CP Dealers and each Bank as to any change in the Liquidity Commitment promptly after any reduction or increase thereof made pursuant to Section 3.11, 3.12, 3.13, 3.16 or 4.01, and as to any change in the outstanding aggregate principal amount of Revolving Loans and Refunding Loans, promptly after giving effect to such change.

SECTION 4.02 Expiration or Extension of Liquidity Commitment. (a) Subject to the other provisions of this Agreement permitting or requiring earlier termination hereof, a Bank's Commitment shall terminate on the Expiration Date then in effect with respect to such Bank and the Liquidity Commitment shall be reduced by the Bank Commitment Amount of such Bank unless such Bank elects in its sole discretion to extend its Commitment for an additional 364-day period following the effective date of such Bank's election (each such period, an "Extension Period"). At least 220 days prior to the applicable Expiration Date, the CP Issuer or the Liquidity Agent may, by notice to the applicable Bank (with a copy to the Liquidity Agent if such request is delivered by the CP Issuer), request in writing that such Bank extend its Commitment for an additional Extension Period. Upon receipt of any such request, each Bank shall notify the Liquidity Agent in writing at least 190 days prior to the applicable Expiration Date whether or not such Bank will extend its Commitment for such additional Extension Peri-

od and such notice, once given, shall be effective with respect to any agreed upon extension on the 180th day prior to the current Expiration Date unless revoked by such Bank (by written notice to the CP Issuer and the Liquidity Agent) prior to such date; provided that at no time shall the term of a Bank's Commitment exceed 364 days. If any Bank does not respond to any request for extension or refuses in its sole discretion to agree to the requested extension, or revokes its agreement to extend as aforesaid, the Expiration Date of its Commitment shall not be extended. If any Bank does not extend or revokes its agreement to extend as aforesaid, or is not requested to extend, its Commitment for such Extension Period, the Liquidity Agent shall promptly notify the CP Issuer, the Depositary, each other Bank and the CP Dealers at least 180 days prior to such Expiration Date. No Expiration Date shall be extended to a date occurring after the Scheduled Maturity Date.

(b) If the Expiration Date of any Bank is not extended pursuant to Section 4.02(a), the CP Issuer shall either (i) effective on the sixtieth day prior to the applicable Expiration Date and subject to compliance with Section 4.01, terminate or reduce to the fullest extent permitted hereunder such Bank's Percentage of the Liquidity Commitment and reduce the Liquidity Commitment by such amount, provided that in no event shall any such action under this clause (i) be effective hereunder if the sum of (x) the Aggregate CP Matured Value Outstanding on such day and (y) the outstanding principal amount of all Revolving Loans and Refunding Loans hereunder on such day would exceed the Liquidity Commitment as so reduced or (ii) at its own expense, use reasonable efforts to request another Bank or obtain a successor financial institution (which shall have been approved in advance in writing by the Liquidity Agent, such approval not to be unreasonably withheld) to assume such non-extending Bank's Commitment through the requested Extension Period pursuant to an Assignment and Acceptance entered into in accordance with Section 10.05 (except that the minimum amounts set forth in Section 10.05(b) shall not apply), provided that the nonextending Bank shall be paid in full all amounts owing to it under this Agreement through the date of any such termination of its Commitment or assumption and provided further that, in the case of an assumption, the addition of any such successor financial institution or institutions will not result in the downgrading or withdrawal of the rating of

the Commercial Paper as confirmed in writing by each Rating Agency.

(c) If either any Bank (including any Downgraded Bank) is not requested to, or does not expressly notify the Liquidity Agent that it wishes to, extend its Commitment after its Expiration Date then in effect pursuant to Section 4.02(a) hereof or any Bank does not consent to the extension or revokes its agreement to extend its Expiration Date, such Bank shall be deemed to be an "Exiting Bank" on the first day after the sixtieth day prior to its Expiration Date. On each Business Day thereafter prior to the Amortization Period Commencement Date, an Exiting Bank shall be paid (for application to its outstanding Revolving Loans and Refunding Loans, if any) from Net Principal Collections received after such 60th day and allocated to the Variable Funding Certificate pursuant to Section 4.06(g) of the Pooling and Servicing Agreement, an amount equal to such Exiting Bank's pro rata share of such Net Principal Collections based on such Exiting Bank's Percentage of the Liquidity Commitment in effect at the 60th day prior to the Expiration Date for such Exiting Bank; provided, however that if the Percentages applicable to each Bank to which payments of principal would be made on any day exceed 100% in the aggregate, each such Exiting Bank's Percentage will be determined using as the applicable numerator the Bank Commitment Amount of such Bank at the 60th day prior to its Expiration Date and as the denominator the sum of the numerators used to calculate the Percentages for the payments of principal applicable to each Bank on such date. Interest on Loans made by an Exiting Bank shall continue to accrue and be required to be paid in accordance with this Agreement and such Exiting Bank's Loan Notes. After all payments of principal, interest and other amounts due hereunder to such Exiting Bank have been paid in full, the CP Issuer shall have no further obligation to such Bank (except with respect to obligations expressly stated herein to survive payment of the Loans).

(d) Any Exiting Bank shall be deemed to be a Bank for purposes of Section 10.03 hereof until all Loans made by, and other amounts owing hereunder to, such Exiting Bank have been paid in full.

SECTION 4.03 Use of Proceeds. The proceeds of the Loans and Commercial Paper shall only be used for the following purposes:

(a) the proceeds of issuances of Commercial Paper shall be (i) used to repay maturing Commercial Paper or to repay Loans, (ii) prior to the Amortization Period Commencement Date, to purchase VFC Additional Class A Invested Amounts (so long as no Borrowing Base Deficiency shall exist following such payment), or (iii) deposited into the Principal Account and/or the Interest Account;

(b) the proceeds of any Refunding Loan shall be used to repay maturing Commercial Paper;

(c) prior to the Amortization Period Commencement Date, the proceeds of any Revolving Loan shall be used to purchase VFC Additional Class A Invested Amounts from the Trust (so long as no Borrowing Base Deficiency shall exist following such payment); and

(d) the proceeds of any Non Pro Rata Loan shall be deposited in the Loan Account and used to make Refunding Loans and Revolving Loans.

ARTICLE V

Payments

SECTION 5.01 Payments on Nonbusiness Days. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension and including the day immediately preceding such Business Day.

SECTION 5.02 Prepayments. (a) The CP Issuer may at any time and from time to time, prepay (other than as provided in Section 4.02(c) hereof or required by Section 8(b) of the Security Agreement) the Liquidity Loans then outstanding, in whole or in part, upon at least three Business Days' irrevocable notice to the Liquidity Agent, in the case of LIBOR Rate Loans, and by giving irrevocable notice to the Liquidity Agent not

later than 1:00 p.m., New York City time, on the date of such prepayment, in the case of Base Rate Loans, each such notice to specify (i) the date and amount of such prepayment, (ii) whether the prepayment is of LIBOR Rate Loans, Base Rate Loans, or a combination thereof, and, if of a combination thereof, the amount of prepayment allocable to each and (iii) the original amount of the Revolving Loan or Revolving Loans or Refunding Loan or Refunding Loans which are to be prepaid and the date or dates such Loan or Loans were made, provided that the CP Issuer may not both prepay Base Rate Loans under this subsection 5.02(a) and borrow Revolving Loans which are Base Rate Loans on the same day. Upon receipt of any such notice, the Liquidity Agent shall promptly notify each Bank thereof. If any such notice is given, the CP Issuer will make the prepayment specified therein, and such prepayment shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid and any amounts due under Section 3.10 in connection with such prepayment. Each partial prepayment of the Revolving Loans and Refunding Loans pursuant to this Section 5.02 shall be in an amount equal to \$1,000,000 and whole multiples of \$1,000,000 in excess thereof.

(b) Non Pro Rata Loans of a Bank may be prepaid at any time, but solely from funds released to such Bank from the Loan Account representing all or a portion of such Bank's Deposit as provided in Section 3.03(e).

(c) The CP Issuer shall prepay its outstanding Revolving Loans and/or Refunding Loans on each Distribution Date to the extent that the amount of the Principal Component of the Aggregate CP Matured Value plus the principal amount of the Revolving Loans and Refunding Loans as of the related Determination Date exceeds the Borrowing Base as of such Determination Date. Such prepayment shall be made in accordance with Section 5.02(a) but without regard to the last sentence of such Section.

SECTION 5.03 Attachments. Anything herein to the contrary notwithstanding, the CP Issuer shall not be permitted to issue or sell Commercial Paper after the CP Issuer has received notice that the Commercial Paper Account or any funds on deposit in, or otherwise to the credit of, the Commercial Paper Account are or have be-

come subject to any stay, writ, judgment, warrant of attachment, execution or similar process (each an "Attachment"). The CP Issuer shall promptly provide written notice to the Liquidity Agent of each Attachment of which the CP Issuer is aware.

SECTION 5.04 Method and Place of Payment, etc.

(a) All payments by the CP Issuer or Federated under this Agreement and the Loan Notes owing to the Banks shall be made to the Liquidity Agent, without setoff or counterclaim, not later than 2:00 p.m. (New York City time) on the date when due and shall be made in freely transferable U.S. dollars and in immediately available funds at the Payment Office. All such payments received by the Liquidity Agent shall be promptly distributed by the Liquidity Agent in the type of funds received to each Bank which is owed any amount corresponding to such payment (pro rata on the basis of the amount of the corresponding amount owing to each such Bank); provided that prior to the Amortization Period Commencement Date and so long as no Event of Default shall then be continuing, payments received by the Liquidity Agent with respect to the principal of the Liquidity Loans shall be applied first, to the Liquidity Loans of all Existing Banks (pro rata among such Banks) and thereafter to the Liquidity Loans of the remaining Banks (pro rata among such Banks). In the event that the Liquidity Agent shall fail to distribute its share of any payments to a Bank on the Business Day the related payment is received by the Liquidity Agent (if such payment was received by the Liquidity Agent prior to 2:00 p.m. (New York City time) on such Business Day) or, in the case of payments received by the Liquidity Agent after 2:00 p.m. (New York City time), on the next succeeding Business Day, the Liquidity Agent shall pay on demand of such Bank interest on its share of such payments, for each day from and including such Business Day to but excluding the date its share of such payments is paid to such Bank, at a rate per annum equal to the Federal Funds Rate.

(b) On any date on which a payment by the CP Issuer of any amount owing by it hereunder is due and payable, the Liquidity Agent may (but in no event shall be required to) assume that the CP Issuer has made such payment available to the Liquidity Agent on the date of such payment in accordance with this Section 5.04, and the Liquidity Agent may (but in no event shall be required to), in reliance upon such assumption, make pay-

ment of a corresponding amount to the applicable Banks. If and to the extent the CP Issuer shall not have so made such payment available to the Liquidity Agent, each Bank irrevocably and unconditionally agrees to repay to the Liquidity Agent forthwith on demand the amount of such payment received by such Bank together with interest thereon, for each day from the date such payment is made by the Liquidity Agent until the date such amount is repaid to the Liquidity Agent, at a rate per annum equal to the Federal Funds Rate.

(c) Any payments received after 2:00 p.m. (New York City time) on a Business Day shall be deemed for purposes of calculating interest pursuant to Section 3.07 hereof to have been paid on the next succeeding Business Day, and interest shall be payable at the applicable rate through and including the day immediately preceding such Business Day.

ARTICLE VI

Conditions Precedent

SECTION 6.01 Conditions to Effectiveness.
This Agreement shall become effective on the Issuance Date of the Variable Funding Certificates if the following conditions have been satisfied:

(a) Agreement. Each Bank, the Liquidity Agent, Federated and the CP Issuer shall have signed a counterpart copy of this Agreement and delivered the same to the Liquidity Agent.

(b) Depository Agreement, Pooling and Servicing Agreement and Variable Funding Certificate.

(i) The CP Issuer, the Collateral Agent, Federated, the Liquidity Agent and the Depository shall have executed and delivered the Depository Agreement, and the Transferor, the Trustee and Federated shall have executed and delivered the Pooling and Servicing Agreement and the Variable Funding Supplement, and the Liquidity Agent shall have received a fully executed counterpart of each thereof, and (ii) the Transferor shall have issued, executed and delivered and the Trustee shall have authenticated the Variable Funding Certificates, and the Liquidity Agent shall have received copies thereof.

(c) The Revolving Loan Notes and the Refunding Loan Notes. There shall have been delivered to the Liquidity Agent for the account of each Bank the appropriate Revolving Loan Note and Refunding Loan Note payable to the order of such Bank in the amount and as otherwise provided for in Article III.

(d) Purchase Agreement. The Transferor and each Originator shall have executed and delivered the Receivables Purchase Agreement and the Transferor and each of Federated Credit Corporation and Allied Stores Credit Corporation shall have entered into the Bill of Sale and Assignment Agreement, and the Liquidity Agent shall have received fully executed counterparts thereof.

(e) Security Agreement. The CP Issuer, the Depository, the Collateral Agent, Federated and the Liquidity Agent shall have executed and delivered to the Collateral Agent, for the benefit of the parties secured thereby, the Security Agreement, which shall be in full force and effect, and the Liquidity Agent shall have received a fully executed counterpart thereof, and the CP Issuer shall have delivered the Class A Variable Funding Certificate, together with an instrument of transfer duly executed by the CP Issuer in blank, to the Collateral Agent.

(f) Other Agreements. The other Facilities Documents shall have been executed and delivered by each of the parties thereto and the Liquidity Agent shall have received a fully executed counterpart of each such Facilities Document.

(g) No Default. Both before and after giving effect to the effectiveness hereof, there shall exist no Default, Event of Default, Pay Out Event, Servicer Default or any event which would, with the giving of notice, the lapse of time, or both, constitute a Pay Out Event or Servicer Default.

(h) Representations and Warranties. All representations and warranties of (i) each of the CP Issuer and Federated contained in this Agreement and in the other Facilities Documents to which it is a party or in any document, certificate or financial or other statement delivered in connection herewith or therewith, (ii) the Transferor contained in the Facilities Documents to which it is a party and the Receivables Purchase Agree-

ment and (iii) each Originator contained in the Receivables Purchase Agreement, shall be true and correct on the Issuance Date in all material respects as of such date both before and after giving effect to the effectiveness hereof. All representations and warranties of Allied Stores Credit Corporation ("ASCC") and Federated Credit Corporation ("FCC") contained in the Bill of Sale and Assignment Agreement, shall have been true and correct on the effective date of the Bill of Sale and Assignment in all material respects as of such date both before and after giving effect to the effectiveness thereof.

(i) Opinions of Counsel. The Liquidity Agent shall have received, in sufficient quantities for each Bank, the Liquidity Agent, the CP Issuer and the Depositary, favorable opinions dated the Issuance Date and addressed to the Banks, from (i) Jones, Day, Reavis & Pogue, special counsel to the CP Issuer, Federated and the Servicer, substantially in the form attached hereto as Exhibit K, (ii) Pryor, Cashman, Sherman & Flynn, counsel to the Trustee, substantially in the form attached hereto as Exhibit L, and (iii) Jones, Day, Reavis & Pogue, special counsel to the Originators, ASCC, FCC, Transferor and Federated regarding certain true sale and bankruptcy matters, in form and substance satisfactory to the Liquidity Agent.

(j) Closing Certificates. The Liquidity Agent shall have received in sufficient quantities for each Bank a certificate, dated the Issuance Date and executed by the president, vice president, controller, assistant treasurer or other authorized officer of each of the CP Issuer and Federated, stating that all of the conditions specified in Sections 6.01(g) and 6.01(h) as applicable to it are then satisfied.

(k) Filings, etc. The Liquidity Agent shall have received (i) an Officer's Certificate of the CP Issuer and searches with respect to the Collateral certifying as to or reflecting, as the case may be, the absence of Liens thereon, except the Liens created pursuant to the Security Agreement in favor of the Collateral Agent, (ii) reports of UCC-11 and other searches of each Originator reflecting the absence of Liens on the property conveyed by it under the Receivables Purchase Agreement, except for filings made in connection with the Receivables Purchase Agreement in favor of the Transfer-

or, and Liens released on or prior to the Issuance Date, and of the Transferor reflecting the absence of Liens on the property conveyed by it under the Pooling and Servicing Agreement, except for Liens in favor of the Trustee, (iii) executed copies of all documents, filings and financing statements in form acceptable to the Collateral Agent and the Liquidity Agent to release all security interests and other rights of any Person in the Collateral or the Trust Property previously granted by FCC, ASCC, Mason Funding Corporation, Pine Hill Funding Corporation, or each Originator, as the case may be, and (iv) all such UCC-1 financing statements and other instruments necessary or, in the reasonable opinion of the Liquidity Agent or counsel, advisable to perfect or protect the Liens intended to be created pursuant to the Receivables Purchase Agreement, the Pooling and Servicing Agreement and the Security Agreement. All documents, financing statements or instruments to be filed or recorded in connection with the transactions contemplated hereby shall have been completed, filed and recorded (or provision for such filing and recording has been made to the reasonable satisfaction of the Liquidity Agent) with respect to the Receivables Purchase Agreement, the Pooling and Servicing Agreement, the Bill of Sale and Assignment Agreement and the Security Agreement covering the property conveyed under the Receivables Purchase Agreement, the Trust Property and the Collateral, respectively, in such jurisdictions as may be required or permitted by law to establish, perfect, protect and preserve the rights, title, interest, remedies, powers, privileges, liens and security interests of the Transferor, as contemplated by the Receivables Purchase Agreement, the Trustee as contemplated by the Pooling and Servicing Agreement and the Collateral Agent in the Collateral covered by the Security Agreement and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required or permitted by law shall have been given or taken, and all filing fees have been paid or provided for. On or prior to the Issuance Date, the CP Issuer, the Liquidity Agent and the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made.

(1) Documentation and Proceedings. The Liquidity Agent shall have received

(i) a copy of the certificate of incorporation, including all amendments thereto, of each of the CP Issuer, the Transferor, the Originators, FCC, ASCC and Federated, certified as of a recent date by the Secretary of State of the state of its organization, and a certificate as to the good standing of each of the CP Issuer and Federated, and a certificate as to the legal existence of each of the CP Issuer, the Transferor, the Originators, FCC, ASCC and Federated as of a recent date, from such Secretary of State; provided, however, that with respect to each of FCC and ASCC, the certificates referred to in this subsection 6.01(l)(i) shall be as of a date recent to December 15, 1992;

(ii) a certificate of the Secretary or an Assistant Secretary dated the Issuance Date, with respect to each of the CP Issuer, the Transferor, the Originators, and Federated, and dated as of December 15, 1992 with respect to each of ASCC and FCC, certifying (A) that attached thereto is a true and complete copy of its by-laws as in effect on the Issuance Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by its Board of Directors, authorizing the execution, delivery and performance of the Facilities Documents, the Receivables Purchase Agreement and the Bill of Sale and Assignment Agreement to which it is a party and, with respect to the CP Issuer, the borrowings under this Liquidity Agreement and pursuant to the Commercial Paper and the grant of the Liens pursuant to the Security Agreement, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that its certificate of incorporation has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above and (D) as to the incumbency and specimen signature of each officer executing any Facilities Document, the Receivables Purchase Agreement, the Bill of Sale and Assign-

ment Agreement and any other document delivered in connection herewith; and

(iii) a certificate of another officer of the relevant corporation as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above.

(m) Bank Accounts. The Liquidity Agent shall have received evidence satisfactory to it that the Commercial Paper Account, the Collateral Account, the Loan Account and the Collection Account have been established, which evidence may be certificates of the Depository, the Collateral Agent and the Trustee with respect to the Commercial Paper Account, the Collateral Account, the Loan Account, and the Collection Account, respectively, setting forth, among other things, the name and number of each such Account.

(n) Opinions of Counsel of the Banks. Each Bank shall have provided to the CP Issuer, the CP Dealers, the Liquidity Agent and the Depository an opinion of counsel (both domestic and, if applicable, foreign), to the effect, inter alia, that this Agreement is a legal and validly binding obligation of such Bank and is enforceable against such Bank in accordance with its terms.

(o) Rating Letters. The Liquidity Agent shall have received a letter or letters from each of Moody's and S&P to the effect that the Commercial Paper shall have been given a rating of at least "A-1" by S&P and at least "P-1" by Moody's and the Class A Variable Funding Certificate shall have been given a rating of at least "AA" by S&P and at least "Aa1" by Moody's, which ratings shall be in full force and effect.

(p) Receivables Purchase Agreement Conditions. All conditions to the obligations of each Originator and the Transferor under the Receivables Purchase Agreement and of each of FCC and ASCC and the Transferor under the Bill of Sale and Assignment Agreement shall have been satisfied in all respects.

(q) Pooling and Servicing Agreement Conditions. All conditions to the obligations of the Transferor, the Servicer and the Trustee under the Pool-

ing and Servicing Agreement and the Variable Funding Supplement shall have been satisfied in all respects.

(r) Offering Materials. Each offering circular, offering memorandum or information circular to be used by the CP Issuer or the CP Dealers in connection with the offer or sale of Commercial Paper, insofar as it describes or refers to the Liquidity Agent or any Bank, shall be reasonably acceptable to the Liquidity Agent or such Bank in its sole discretion on and as of the Issuance Date.

(s) Consents, etc. The Liquidity Agent shall have received true and correct copies of all consents, licenses and approvals required by Federated, each Originator, the Transferor or the CP Issuer in connection with its execution, delivery and performance of the Facilities Documents to which it is a party, and, in the case of each Originator and the Transferor, the Receivables Purchase Agreement to which it is a party.

(t) Accountants Letters. The Liquidity Agent shall have received true and correct copies of the comfort letters from KPMG Peat Marwick dated December 2, 1992 and December 15, 1992.

(u) Interest Rate Caps. The Liquidity Agent shall have received true and correct copies of fully executed and effective Interest Rate Caps.

(v) Payment of Fees, etc. The Liquidity Agent, the Banks and each of their respective counsel, to the extent proper invoices and related documentation has been provided to the CP Issuer at least three Business Days prior to the Issuance Date, shall have received payment for services rendered in connection with the preparation, execution and delivery of this Agreement and the Facilities Documents and the Banks shall have been paid their respective "up-front" fees described in the Fee Letter.

(w) Liquidity Fee; Deposits. On the Issuance Date, the CP Issuer shall have made the deposit in the Liquidity Fee Collateral Account required by Section 7.27 hereof and the deposits required to be made in the Cap Escrow Account and the Miscellaneous Fee Collateral Account pursuant to the Security Agreement.

SECTION 6.02 Conditions to Each Credit Utilization. The obligation of any Bank to make any Revolving Loan hereunder and the right of the CP Issuer to issue Commercial Paper other than to refinance Commercial Paper maturing on the day such Commercial Paper is issued and which does not increase the Aggregate CP Matured Value over that of the preceding day (any of the foregoing, a "Credit Utilization") are subject at the time of such Credit Utilization to the satisfaction of the following conditions. Each delivery of a Notice of Revolving Borrowing and each Credit Utilization shall constitute a representation and warranty by the CP Issuer that the conditions specified in this Section 6.02 are then satisfied.

(a) No Event of Default. At the time of such Credit Utilization and after giving effect thereto, there shall exist no Default or Event of Default.

(b) Representations and Warranties. At the date of such Credit Utilization and after giving effect thereto, all representations and warranties of each of the CP Issuer and Federated contained in this Agreement or in any document, certificate or financial or other statement delivered in connection herewith or therewith shall be true and correct in all material respects with the same force and effect as though such representations and warranties had been made as of such date, except to the extent any such representations and warranties relate solely to an earlier date (in which case such representations and warranties shall have been true and correct on such earlier date).

(c) No Pay Out Event. At the time of such Credit Utilization and after giving effect thereto, there shall exist no Pay Out Event with respect to the Variable Funding Certificates.

(d) No Borrowing Base Deficiency; Available Commitment. In reliance on the most recent Daily Report or Settlement Statement delivered by the Servicer, a Borrowing Base Deficiency shall not exist and such Credit Utilization would not (after giving effect to the use of proceeds thereof) result in a Borrowing Base Deficiency. After giving effect to such Credit Utilization, (i) if an issuance of Commercial Paper, the first proviso of Section 2.01(b) shall not be contravened, (ii) and if in the making of the Revolving Loan, Section

3.01(b) shall not have been contravened and (iii) the Class B Invested Amount on the date of such Credit Utilization shall not be less than three percent of the aggregate outstanding principal of the Class A Variable Funding Certificate and the Class B Variable Funding Certificate.

(e) Commercial Paper Unavailable. If the Credit Utilization is a Revolving Loan, the CP Dealers shall have given notice under Section 3(c) of the CP Dealer Agreements that the issuance of Commercial Paper is impossible or impractical due to (i) a withdrawal of or reduction in the rating of the Commercial Paper as the result of a downgrade of a Downgraded Bank, (ii) the interest rate required to be paid thereon exceeding the LIBOR Rate plus 1% per annum or (iii) any other general unavailability of the commercial paper market.

(f) Receipt of Daily Report or Settlement Statement. With respect only to the making of a Revolving Loan, the Liquidity Agent shall have received a Daily Report or Settlement Statement most recently due prior to a Credit Utilization.

(g) Ratings. At the time of each Credit Utilization, the Commercial Paper shall be rated at least A-1 and P-1 by S&P and Moody's, respectively, unless such Commercial Paper shall not be so rated as a result of the withdrawal or downgrading of a Bank's rating by S&P or Moody's.

(h) Receipt of Notice of Revolving Borrowing. With respect to the making of Revolving Loans, the Liquidity Agent shall have received the Notice of Revolving Borrowing in accordance with the terms of this Agreement.

(i) VFC Additional Invested Amounts. If the Credit Utilization is a Revolving Loan, the conditions to the acquisition of VFC Additional Class A Invested Amounts set forth in Section 6.15 of the Pooling and Servicing Agreement have been satisfied at the time of such Credit Utilization.

SECTION 6.03 Conditions Precedent to the Making of Each Refunding Loan. The obligation of any Bank to make any Refunding Loan shall be subject to the satisfaction of the following conditions: (a) the Liquidity

Agent shall have received Notice of a Refunding Borrowing in accordance with the terms of this Agreement, (b) after the making of such Refunding Loan, Section 3.01(c) shall not have been contravened, (c) the Class B Invested Amount on such day shall not be less than 3% of the aggregate outstanding principal amount of the Class A Variable Funding Certificates and the Class B Variable Funding Certificates, and (d)(i) the CP Issuer shall not have voluntarily commenced any proceeding or filed any petition under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of the CP Issuer or taken any corporate action for the purpose of effectuating any of the foregoing, and (ii) no involuntary proceedings or involuntary petition shall have been commenced or filed against the CP Issuer by any Person under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of the CP Issuer that has remained undismissed for a period of 30 days or with respect to which a trustee has been appointed or an order for relief has been entered. Each delivery of a Notice of Refunding Borrowing and each Refunding Loan Borrowing shall constitute a representation and warranty by the CP Issuer that the conditions specified in clauses (b), (c) and (d) of this Section 6.03 have been satisfied. The Banks' obligations to make Refunding Loans in accordance with the terms of this Agreement are subject only to the conditions set forth in this Section 6.03 and the failure of the CP Issuer to perform any covenant or obligation hereunder, except as set forth in this Section 6.03, or the breach of any representation or warranty by the CP Issuer hereunder shall not in any way affect or limit the Banks' obligations to make Refunding Loans.

ARTICLE VII

Covenants

While this Agreement is in effect and until all indebtedness hereunder and under the Commercial Paper and the Loan Notes shall have been paid in full and the Banks no longer have any Liquidity Commitment hereunder, the CP Issuer or Federated, as the case may be, agrees that:

SECTION 7.01 Affirmative Covenants. The CP Issuer will (w) promptly provide the Liquidity Agent with all financial and operational information which the CP Issuer receives under the Facilities Documents and such additional information as the Liquidity Agent may reasonably request and permit the Liquidity Agent, each Bank and its agents to inspect any of the CP Issuer's assets (including its books and records) at any time that the Liquidity Agent or such Bank reasonably so requests; (x) take all actions necessary to ensure that all taxes and other governmental claims in respect of the CP Issuer's operations and assets are promptly paid; (y) comply in all respects with obligations it assumes under the Facilities Documents; and (z) not take any action which would permit the CP Issuer to have the right to refuse to perform any of its obligations under any of the Facilities Documents to which the CP Issuer is a party and the CP Issuer will give prompt notice to the Liquidity Agent, each Bank, Moody's and S&P of any Event of Default and/or Servicer Default of which it is aware.

SECTION 7.02 Liens. The CP Issuer will not contract for, create, incur, assume or suffer to exist any Lien, security interest, charge or other encumbrance of any nature upon any of its property or assets, whether now owned or hereafter acquired except as provided for in the Security Agreement or the Depositary Agreement.

SECTION 7.03 Other Debt; Receivables. The CP Issuer will not create, incur, assume or suffer to exist any indebtedness, whether current or funded, or any other liability except (i) indebtedness evidenced by the Commercial Paper, (ii) indebtedness evidenced by the Loan Notes, (iii) indebtedness of the CP Issuer representing fees, expenses, and indemnities payable pursuant to the Facilities Documents, (iv) indebtedness for necessary services supplied or furnished to the CP Issuer not to exceed \$50,000 at any time outstanding and (v) indebted-

ness (subordinated to the Commercial Paper, all Loans, including interest thereon, and all other amounts due or to become due hereunder in a manner acceptable to the Required Banks) to its immediate parent corporation, subject, in the case of clause (v), to the inclusion in any instrument representing such indebtedness of a provision to the effect set forth in Section 10.10.

SECTION 7.04 Guarantees, Loans, Advances and Other Liabilities. The CP Issuer will not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any assets, stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person.

SECTION 7.05 Consolidation, Merger and Sale of Assets. The CP Issuer will not enter into any merger, consolidation, joint venture, syndicate or other form of combination with any Person or, except as expressly contemplated by any of the Facilities Documents, sell, lease or transfer or otherwise dispose of any of its assets or receivables.

SECTION 7.06 Capital Expenditures. The CP Issuer will not make any expenditure (by long-term or operating lease or otherwise) for capital assets (both realty and personalty).

SECTION 7.07 Other Business. The CP Issuer will not engage in any business or enterprise or enter into any material transaction other than as contemplated by the Facilities Documents.

SECTION 7.08 Amendment of Certificate of Incorporation or By-Laws. The CP Issuer will not amend its certificate of incorporation or by-laws if such amendment would have a material adverse effect on the Banks or the holders of the Commercial Paper or would change in any respect the limitation on the CP Issuer's ability to commence a voluntary bankruptcy proceeding with respect to itself.

SECTION 7.09 Good Standing. The CP Issuer will maintain its corporate existence as a corporation validly existing and in good standing under the laws of the State of Delaware and duly qualified as a foreign corporation under the laws of the State of New York and wherever else required by law.

SECTION 7.10 Confidentiality. Each private placement memorandum, credit report, offering memorandum or information circular to be used by the CP Issuer in connection with the offer or sale of the Commercial Paper shall not identify the Liquidity Agent or any Bank by name without its prior written consent and will include a statement to the effect that the identities of the Liquidity Agent or the Banks will be disclosed to a potential purchaser upon its request, and shall, insofar as the same shall describe the Liquidity Agent or a Bank or the obligations of a Bank hereunder, be approved (and, with respect to information regarding the business or financial condition of the Liquidity Agent or any Bank, include only such information as was provided for inclusion) by the Liquidity Agent or such Bank. The CP Dealers may furnish to prospective investors requesting the same any publicly available information concerning the business or financial condition of any Bank without the approval of such Bank.

SECTION 7.11 Notice of Default. The CP Issuer shall give to the Liquidity Agent, the Banks, the Rating Agencies and the Depositary prompt (and in any event within two Business Days after obtaining actual knowledge of such event) written notice of any Default or Event of Default hereunder or any Pay Out Event (whether or not any required notice has been given or specified time has elapsed) or any material default under any of the Interest Rate Caps or the Receivables Purchase Agreement.

SECTION 7.12 Financial Information. The CP Issuer shall furnish to each Bank and the Liquidity Agent as soon as available and in any event within 90 days after the end of each fiscal year of the CP Issuer, a balance sheet of the CP Issuer as of the end of such year and statements of income and retained earnings and of source and application of funds of the CP Issuer for the period commencing at the end of the previous fiscal year and ending with the end of such year, certified in a manner satisfactory to the Liquidity Agent by independent public accountants acceptable to the Liquidity Agent,

together with a certificate of such accounting firm stating that in the course of the regular audit of the business of the CP Issuer, which audit was conducted in accordance with generally accepted auditing standards in the United States, such accounting firm has obtained no knowledge that default by the CP Issuer in the performance of its obligations under this Agreement has occurred and is continuing, or if, in the opinion of such accounting firm, such a default has occurred and is continuing, a statement as to the nature thereof. The CP Issuer shall also furnish to the Liquidity Agent and each Bank within 45 days at the end of each fiscal quarter its unaudited financial statements for such fiscal quarter.

SECTION 7.13 Reviewing of Loans. The CP Issuer agrees to use its best efforts to prepay each outstanding Loan as soon as possible after the making thereof from the proceeds of the issuance of Commercial Paper, provided that nothing contained in this Section 7.13 shall (i) require the CP Issuer to prepay any LIBOR Rate Loan prior to the last day of a Fixed Period applicable thereto or (ii) to issue Commercial Paper at a rate of interest which is greater than the rate of interest borne by the Loan to be prepaid.

SECTION 7.14 Federated Financial Statements. Federated will provide the Liquidity Agent and each Bank with (i) for the first three fiscal quarters of each fiscal year, its consolidated quarterly financial statement within 60 days of the end of each such fiscal quarter and (ii) within 105 days of the end of each fiscal year, its audited consolidated financial statements.

SECTION 7.15 Federated Compliance. Federated will comply in all material respects with its obligations under this Agreement and the other Facilities Documents to which it is a party.

SECTION 7.16 Notice of Servicer Default. Federated will give prompt notice to the Liquidity Agent and each Bank of any Servicer Default of which it is aware.

SECTION 7.17 Federated Merger or Sale of Assets. Federated will not enter into any merger, consolidation, or other form of combination with any Person or sell, lease or transfer all or substantially all of its assets unless in the case of a merger, consolidation or other combination, Federated is the surviving entity or

(i) Moody's and Standard & Poor's shall confirm the rating of the Class A Variable Funding Certificate, (ii) the long-term debt rating of the surviving entity shall not be less than "B+" or its equivalent by Standard & Poor's and Moody's and (iii) the surviving entity shall assume the obligations of Federated hereunder and the other Facilities Documents to which Federated is a party and shall retain all personnel and equipment necessary to perform the servicing obligations under the Pooling and Servicing Agreement.

SECTION 7.18 Maintenance of Business. The CP Issuer shall do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names and all consents material to the conduct of its business.

SECTION 7.19 Compliance with Law. The CP Issuer shall comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether now in effect or hereafter enacted.

SECTION 7.20 Lease Obligations. The CP Issuer will not incur, create, assume or permit to exist any lease obligations other than those necessary to operate under Facilities Documents.

SECTION 7.21 Dividends and Distributions. The CP Issuer will not declare or pay, directly or indirectly, any dividend or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, with respect to any shares of its capital stock or directly or indirectly redeem, purchase, retire or otherwise acquire for value any shares of any class of its capital stock or set aside any amount for any such purpose except, so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom and so long as after giving effect thereto the CP Issuer's net worth (determined in accordance with generally accepted accounting principles) shall be greater than zero, for dividends and return of capital from amounts released or distributed to the CP Issuer under the Security Agreement.

SECTION 7.22 Transactions with Affiliates.

The CP Issuer shall not sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates other than as permitted by this Agreement or on terms no less favorable to CP Issuer as those obtainable in a third party arms length transaction.

SECTION 7.23 Accounting Changes. The CP Issuer shall not make any material change (i) in accounting treatment and reporting practices except as permitted by GAAP or (ii) in tax reporting treatment except as required by law and, in each case, as disclosed to the Depositary, the Liquidity Agent and the Collateral Agent in the CP Issuer's financial information submitted pursuant to Section 7.12.

SECTION 7.24 Other Agreements. The CP Issuer will not enter into or be a party to any agreement, instrument or transaction other than the Facilities Documents or as permitted thereunder.

SECTION 7.25 No Powers of Attorney. The CP Issuer will not grant any powers of attorney to any Person for any purposes except (i) for the purpose of permitting any Person to perform any ministerial functions on behalf of the CP Issuer that are not prohibited by or inconsistent with the terms of the Facilities Documents, or (ii) to the Collateral Agent, the Depositary, the CP Dealers or the Trustee as contemplated by the Facilities Documents.

SECTION 7.26 Additional CP Dealer. The CP Issuer shall at all times maintain a dealer for the Commercial Paper; and any CP Dealer added to or substituted for the CP Dealers in place on the Issuance Date shall be reasonably acceptable to the Liquidity Agent.

SECTION 7.27 Liquidity Fee Collateral Account. On the Issuance Date and on each anniversary thereof, the CP Issuer shall deposit into a segregated account established by the Collateral Agent for the benefit of the Liquidity Agent and the Banks an amount sufficient such that the aggregate amount or deposit in such account on such date is equal to the sum of (x) the product of (i) the liquidity fee rate specified in the Fee Letter and (ii) the Liquidity Commitment as of such date plus (y)

the annual amount payable to the Liquidity Agent pursuant to Section 3.17(b) hereof. On the date of each increase in the Liquidity Commitment, the CP Issuer shall deposit into the aforesaid account an amount equal to the product of (i) the liquidity fee rate specified in the Fee Letter, (ii) such increase in the amount of the Liquidity Commitment, and (iii) a fraction the numerator of which is the number of days remaining to the anniversary date referred to above and the denominator of which is 360. Amounts on deposit in such account shall secure the obligation of the CP Issuer to pay when due the liquidity fee and agency fee referred to in the Fee Letter and the Liquidity Agent may direct the application of such amounts to such fee on any Distribution Date on which a shortfall in the payment of such fee exists. The CP Issuer shall have no right in and to any funds on deposit in the aforesaid account, except for amounts permitted to be released therefrom to the CP Issuer as provided in the Security Agreement.

SECTION 7.28 Interest Rate Caps. On the Issuance Date, the CP Issuer shall pledge and deliver to the Collateral Agent the interest rate caps provided by (x) Morgan Guaranty Trust Company of New York ("Morgan") pursuant to the Interest Rate Cap Transactions dated as of December 9, 1991, December 16, 1991, and December 19, 1991, between FCC and Morgan and assigned to the CP Issuer pursuant to the Assignment and Assumption Agreement dated as of December 16, 1992, among FCC, the CP Issuer and Morgan, and (y) National Westminster Bank PLC ("NatWest") pursuant to the Agreement dated as of December 18, 1992, between NatWest and the CP Issuer. Not later than 30 days after the Issuance Date, the CP Issuer shall purchase, pledge and deliver to the Collateral Agent and maintain until and including the Scheduled Maturity Date Interest Rate Caps that taken as a whole (i) are on each Business Day in an aggregate notional amount (a) until and including the Amortization Period Commencement Date, at least equal to the Liquidity Commitment plus the aggregate outstanding principal amount of all Loans made by Banks whose Bank Commitment Amounts are zero on such Business Day (the "Total Commitment Amount"), and (b) after the Amortization Period Commencement Date until and including the Scheduled Maturity Date, at least equal to the remaining unamortized amount of the Total Commitment Amount, (ii) have maturities of at least until the Scheduled Maturity Date, (iii) are each maintained with a financial institution rated at

least "AA" by S&P and "Aa2" by Moody's, and (iv) the fixed rate per annum used to calculate the amounts payable to the CP Issuer are each less than or equal to 10% (6% through February 3, 1994 and 7% through February 3, 1995) and the floating rate is the one month London interbank offered rate (30-day commercial paper rate in the case of the Interest Rate Caps described in clauses (x) and (y)). If any provider of an Interest Rate Cap is downgraded below "AA" by S&P or "Aa2" by Moody's, the CP Issuer shall obtain a replacement Interest Rate Cap meeting the conditions of the preceding sentence within 60 days of such downgrading. For purposes of this section only, the amortization of the Total Commitment Amount shall be computed based upon a 36 month straight-line monthly amortization of the Total Commitment Amount as of the Amortization Period Commencement Date.

SECTION 7.29 CP Issuer Expenses. The CP Issuer shall not incur expenses reimbursable under Section 4.06(a)(vii), 4.06(b)(vii) or 4.06(c)(vii) of the Pooling and Servicing Agreement in excess of \$200,000 in any twelve month period in connection with the transactions contemplated by the Facilities Documents.

ARTICLE VIII

Events of Default

SECTION 8.01 Events of Default. If any of the following events shall occur (each an "Event of Default"):

(a) Any Bank, the Liquidity Agent or the holders of the Commercial Paper are not paid when and as due (whether on the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise) (i) any amount payable with respect to principal on the Loan Notes, (ii) interest payable on the Loan Notes or the liquidity or agency fee referred to in the Fee Letter within two Business Days after the due date thereof, (iii) any amount payable with respect to the Commercial Paper within one Business Day after the due date thereof, or (iv) any other amounts due hereunder or any Supplemental Payments; provided that such other amounts and Supplemental Payments shall not be deemed due until 30 days following demand therefor;

(b) The CP Issuer or Federated shall fail to perform or observe in any material respect any of the covenants or agreements set forth in this Agreement (other than as set forth in Section 7.28 hereof), the Depositary Agreement, the Security Agreement or the CP Dealer Agreement if such breach shall remain unremedied for 30 days (five days in the case of a failure of the CP Issuer to comply with the provisions of Section 4.03 hereof) after the earlier of actual knowledge or the date on which written notice of such breach shall have been given to the CP Issuer or Federated, as the case may be, by the Liquidity Agent, the Collateral Agent or any CP Dealer;

(c) Any representation or warranty made by the CP Issuer herein or in any of the Facilities Documents to which it is a party or by Federated herein shall prove to have been incorrect in any material respect when made and such representation or warranty shall continue to be incorrect in such material respect for a period of 30 days after an officer of the CP Issuer or Federated, as the case may be, shall acquire knowledge thereof;

(d) Any Lien created by the Security Agreement on the property encumbered thereby shall cease to be a valid and enforceable first priority perfected security interest in favor of the Collateral Agent, or the CP Issuer shall so assert in writing, or any of the Collateral shall be subject to any Lien other than Permitted Liens;

(e) The CP Issuer, Federated or the Transferor shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally as they become due, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the CP Issuer, Federated or the Transferor, seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, appointment of a receiver, trustee, liquidator or custodian, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of any order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property or assets, which, in the case of proceedings instituted against the

CP Issuer, Federated or the Transferor is consented to or acquiesced in by such Person or remains undismissed, undischarged or unbonded for a period of 30 days in the case of the CP Issuer or the Transferor and 60 days in the case of Federated; or the CP Issuer, Federated or the Transferor shall take any corporate action to authorize any of the actions set forth above in this subsection (e);

(f) A Pay Out Event (whether or not waived by the Trustee or the Certificateholder) with respect to the Variable Funding Certificates;

(g) A Servicer Default (whether or not waived by the Trustee or the Certificateholder) which, in the opinion of the Required Banks, could have a material adverse effect on the Banks;

(h) The Transferor or any of its Affiliates shall assert in writing, or a court of competent jurisdiction shall hold, that the subordination provisions with respect to the Class B Variable Funding Certificate are invalid or unenforceable in any material respect;

(i) The provider of any Interest Rate Cap is downgraded below "AA" by S&P or "Aa2" by Moody's and the provider of such Interest Rate Cap is not replaced such that an Interest Rate Cap in the same amount and meeting the requirements of Section 7.28 shall be in place within 60 days of such downgrading; or the CP Issuer shall fail to perform or observe in any material respect any of the covenants or agreements set forth in Section 7.28 hereof;

(j) One or more judgments for the payment of money in an aggregate amount in excess of \$500,000 shall be rendered against the CP Issuer 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 levy upon assets or properties of the CP Issuer to enforce any such judgment;

(k) Any nonmonetary judgment or order shall be rendered against the CP Issuer which does or could reasonably be expected to (i) have a material adverse effect on the business, operations, assets or fi-

nancial or other condition of the CP Issuer, (ii) have a material adverse effect on the rights and remedies of the Depositary, the Collateral Agent, the Liquidity Agent or the Banks under any Facilities Document, and either (x) enforcement proceedings shall have been commenced by any person upon such judgment or order or (y) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of pending appeal or otherwise, shall not be in effect; or

(1) Any event of default which causes the indebtedness of Federated under the Credit Agreement dated May 20, 1992 among Federated, the lenders parties thereto, Citibank, N.A., as Agent, and Mellon Bank, N.A., Societe General, New York Branch, and Chemical Bank, as Co-Agents, (or in any credit agreement entered into in replacement thereof) to become due and payable prior to its scheduled maturity date;

then, and in any such event, (x) if such event is an Event of Default specified in subsection 8.01(a)(iii) (subject to the next succeeding paragraph), 8.01(e) or 8.01(i) above (each, a "Specified Default"), the Commitment of each Bank to make Loans hereunder shall automatically and immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Loan Notes shall immediately become due and payable, and (y) if such event is any other Event of Default, either or both of the following actions may be taken (a Specified Default and any such other Event of Default followed by any of the following actions, a "Matured Default"):

- (i) with the consent of the Required Banks, the Liquidity Agent may, or upon the request of the Required Banks, the Liquidity Agent shall, by notice to the CP Issuer, declare the Commitment of each Bank to make Loans hereunder to be terminated forthwith, whereupon such Commitments shall immediately terminate; and
- (ii) with the consent of the Required Banks, the Liquidity Agent may, or upon the request of the Required Banks, the Liquidity Agent shall, by notice of default to the CP Issuer, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Loan Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable.

Notwithstanding the foregoing provisions of this Section 8.01, no declaration or termination of the Commitment of each Bank pursuant to the foregoing provisions of this Article VIII shall af-

fect the obligation of the Banks to make Refunding Loans with respect to Commercial Paper issued, authenticated and delivered by the Depositary prior to receipt of instructions from the Liquidity Agent to cease issuing Commercial Paper as provided in Section 2.01(a) hereof and in the Depositary Agreement provided the conditions set forth in Section 6.03 are satisfied at the time of the making of any such Refunding Loan. Except as expressly provided above in this Section 8.01, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

Notwithstanding the foregoing, a delay in or failure of performance referred to in subsection 8.01(a)-(iii) for a period of up to five Business Days shall not constitute an Event of Default or a Matured Default if such delay or failure could not be prevented by the exercise of reasonable diligence by the CP Issuer or the Depositary and such delay or failure was caused by an act of God or the public enemy, acts of declared or undeclared war, public disorder, rebellion, riot or sabotage, epidemics, landslides, lightning, fire, hurricanes, tornadoes, earthquakes, nuclear disasters or meltdowns, floods, power outages, computer failure or similar causes. The preceding sentence shall not relieve either the CP Issuer or the Depositary from using its best efforts to perform its obligations in a timely manner in accordance with the terms of the Facilities Documents and the CP Issuer or the Depositary, as applicable, shall provide the Liquidity Agent, the Collateral Agent, the Rating Agencies, the Depositary (if such event shall have been with respect to the CP Issuer) and the CP Issuer (if such event shall have been with respect to the Depositary) with an Officer's Certificate giving prompt notice of such failure or delay by it, together with a description of the cause of such failure or delay and its efforts so to perform its obligations.

ARTICLE IX

Representations and Warranties

In order to induce the Banks to enter into this Agreement and to provide the credit facilities provided for herein, each of the CP Issuer and Federated (as to itself) makes the following representations and warranties to the Banks:

SECTION 9.01 Corporate Existence. Each of the CP Issuer and Federated is duly organized, validly existing and in good standing under the laws of the State of Delaware, has the corporate power to own its assets and to transact the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of New York. The CP Issuer has no subsidiaries.

SECTION 9.02 Corporate Power; Authorization; Enforceable Obligation. Each of the CP Issuer and Federated has the corporate power, authority and legal right to execute, deliver and perform the Facilities Documents to which it is a party and, in the case of the CP Issuer, to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions hereof and the execution, delivery and performance of such Facilities Documents. No consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required for the execution, delivery and performance by the CP Issuer or Federated of the Facilities Documents to which it is a party which has not been obtained, made, given or accomplished. This Agreement and each of the Facilities Documents to which it is a party have been executed and delivered by a duly authorized officer of each of the CP Issuer and Federated, and each of such agreements constitutes and, in the case of Commercial Paper, when executed and issued in accordance with the provisions hereof and of the Depositary Agreement, will constitute, a legal, valid and binding obligation of the CP Issuer or Federated, as the case may be, enforceable against the CP Issuer or Federated, as the case may be, in accordance with its terms, except that the enforceability thereof may be subject to the effects of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 9.03 No Legal Bar. The execution, delivery and performance by each of the CP Issuer and Federated of the Facilities Documents to which it is a party will not violate any provision of any existing law or regulation applicable to it, or of any order, judgment, award or decree of any court, arbitrator or govern-

mental authority applicable to it or its certificate of incorporation or by-laws or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which it is a party or by which it or any of its assets may be bound, and will not, except as otherwise provided herein or under any of the other Facilities Documents, result in, or require, the creation or imposition of any Lien on any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

SECTION 9.04 No Material Litigation. (a) No litigation, investigation or administrative proceeding of or before any court, arbitrator or governmental authority is pending nor, to the CP Issuer's knowledge, threatened against the CP Issuer or any of its assets (a) with respect to the Facilities Documents or the Loans hereunder or (b) that would have a material adverse effect on the business, operations, assets or financial or other condition of the CP Issuer.

(b) On the Issuance Date, no litigation, investigation or administrative proceeding of or before any court, arbitrator or governmental authority is pending nor, to Federated's knowledge, threatened against Federated or any of its assets (a) with respect to the Facilities Documents or the Loans hereunder or (b) that would have a material adverse effect on the business, operations, assets or financial or other condition of the Federated.

SECTION 9.05 Margin Regulations. No part of the proceeds of the Loans or any Commercial Paper shall be used to purchase or carry any margin stock (as such terms are defined in Regulation U of the Board of Governors of the Federal Reserve System). The CP Issuer is not engaged, principally or as one of its important primary activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock.

SECTION 9.06 Security Interest. (a) (i) No effective financing statement listing the CP Issuer as debtor (other than any which may have been filed on behalf of the Collateral Agent) covering any of the Collateral is on file in any public office; and (ii) at the date of each deposit of funds in the Collateral Account, the CP Issuer was, is or will then be the lawful owner

of, and had, has or will then have good title to, such funds free and clear of all Liens; and

(b) The CP Issuer has not created any security interest which remains in effect in the Collateral and will keep the Collateral and every part thereof free and clear of all Liens except the lien and security interest granted pursuant to the Security Agreement in favor of the Collateral Agent and Permitted Liens.

SECTION 9.07 Commercial Paper. All Commercial Paper shall either be sold in an exempt transaction under Section 4 of the Securities Act of 1933, as amended, or shall constitute exempt securities under Section 3 of the Securities Act of 1933, as amended, and neither registration of Commercial Paper under such Act, nor qualification of an indenture with respect to Commercial Paper under the Trust Indenture Act of 1939, as amended, will be required in connection with the offer, issuance, sale or delivery of Commercial Paper.

SECTION 9.08 Parent of the CP Issuer. Federated Credit Holdings Corporation is the registered owner of all of the issued and outstanding capital stock of the CP Issuer, all of which capital stock has been validly issued, is fully paid and nonassessable and is owned of record by such corporation, free and clear of all mortgages, assignments, pledges, security interests, warrants, options and rights to purchase. The CP Issuer owns no capital stock of, or other interest in, any Person.

SECTION 9.09 Special Purpose Company. The CP Issuer has been organized for the purposes of consummating the transactions contemplated by this Agreement and the other documents relating hereto. The CP Issuer has not conducted any business operations prior to the date hereof except those incident to its formation and the execution, delivery and performance of the Facilities Documents to which it is a party.

SECTION 9.10 Sole Owner. From and after the time at which the CP Issuer purchases the Class A Variable Funding Certificate issued pursuant to the Pooling and Servicing Agreement, the CP Issuer will own the Class A Variable Funding Certificate free and clear of all Liens other than Permitted Liens.

SECTION 9.11 Investment Company Act. The CP Issuer is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Act.

SECTION 9.12 Enforceability. Each of the Facilities Documents and the Receivables Purchase Agreement is in full force and effect, and constitutes a valid and binding obligation of the CP Issuer, the Transferor, the Servicer or any Originator party thereto, as the case may be, enforceable against such party in accordance with its terms.

SECTION 9.13 Compliance with Laws. The CP Issuer is not in violation of any law, rule or regulation, or in default with respect to any judgement, writ, injunction or decree of any governmental authority, where such violation or default could result in a material adverse effect on the business, operations, assets, or financial or other condition of the CP Issuer.

SECTION 9.14 Tax Returns. The CP Issuer has filed all Federal, state and local tax returns required to have been filed by it and has paid all taxes as shown to be due and payable on such returns or on any assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the CP Issuer shall have set aside on its books adequate reserves but only so long as such proceedings could not subject the CP Issuer, the Depositary, the holders of the Commercial Paper, the Liquidity Agent, the Banks or the Collateral Agent to any civil or criminal penalty or liability or involve any significant risk of the loss, sale or forfeiture of any of the Collateral.

ARTICLE X

Miscellaneous

SECTION 10.01 Computations. Unless otherwise specified herein, all computations of interest and fees hereunder and under the Loan Notes shall be made on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 360 days; except for such computations made in respect of Base Rate Loans, which shall be made on the basis of the

actual number of days elapsed (including the first day but excluding the last day) over a year of 365 days.

SECTION 10.02 Exercise of Rights. No failure or delay on the part of the Liquidity Agent, the Collateral Agent or any Bank to exercise any right, power or privilege under this Agreement, any other Facilities Document, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement and no course of dealing between the CP Issuer, Federated or any of its Affiliates and the Liquidity Agent, the Collateral Agent or any Bank shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement, any other Facilities Documents, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Liquidity Agent, the Collateral Agent or the Banks would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

SECTION 10.03 Amendment and Waiver. (a) The Receivables Purchase Agreement may be amended from time to time, without the consent of the Liquidity Agent or any of the Banks, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of such document, or of modifying, in any manner the rights thereunder; provided that (i) the CP Issuer shall have provided an Officer's Certificate to the Liquidity Agent to the effect that such amendment will not materially and adversely affect the interests of the Liquidity Agent or the Banks, and (ii) neither Rating Agency shall have provided the CP Issuer with written notice of its intention to downgrade or withdraw its then current rating of the Class A Variable Funding Certificate. Notwithstanding the foregoing, any amendment or modification to Sections 2.01, 2.02, 2.03(a)(ii), 2.03(a)(iv), 2.04, 2.06, 2.07, 4.01, 4.02 (other than changes to schedules referenced in 4.02(j))), 4.03, 5.01(a) through (e), 5.01(o) through (s), 6.01, 7.01, 8.01, 8.08 (and each defined term used or referred to in

any of the foregoing sections) of the Receivable Purchase Agreement shall require the prior written consent of the Required Banks. Except as expressly provided in the first sentence of this paragraph, neither Federated nor the CP Issuer shall consent to any amendment, waiver, supplement, restatement, or other modification to any provision hereof or any other Facilities Document or the Receivables Purchase Agreement, or the Bill of Sale and Assignment Agreement unless the same shall be consented to by the Required Banks; provided that the Pooling and Servicing Agreement may be amended pursuant to Section 13.01(a)(i) thereof without the consent of the Required Banks, the Liquidity Agent or any of the Banks; provided further that the Facilities Documents may be amended or modified without the consent of the Required Banks, the Liquidity Agent or any of the Banks to effect such technical changes as are necessary to reflect the addition of the Federated Credit Card Bank as an Originator as contemplated by the Receivable Purchase Agreement and as contemplated by Section 13.01(a) of the Pooling and Servicing Agreement so long as the Liquidity Agent shall have received ten Business Days' prior written notice of any such technical changes and shall have satisfied itself as to the technical nature of such changes and, if so satisfied, is authorized to execute any required amendments to the Loan Documents; provided, further that any such amendment that would (i) reduce any fees or commissions, (ii) result in a reduction in any interest rate, extension of the maturity date of any Loan, or forgiveness of debt, (iii) amend Section 6 of the Supplement, (iv) alter the terms of the subordination of the Class B Variable Funding Certificates to the Class A Variable Funding Certificates, alter the priority of payment of Collections set forth in Sections 7 and 8 of the Security Agreement or release the Lien of any Collateral (except as expressly permitted by the Facilities Documents), (v) change this Section, Section 6.03, the percentage specified in the definition of Required Banks, the definitions of "Available Liquidity Commitment," "Borrowing Base" (or any component thereof) or "Subordination Percentage" (or give any consent contemplated by the definition of "Subordination Percentage") or (vi) change the formula by which the Yield Factor is calculated, may only be amended, waived, supplemented, restated, discharged or terminated with the prior written consent of each Bank and provided further that any such amendment which would increase the Bank Commitment Amount of any Bank shall not be effective unless consented to by such

Bank. The CP Issuer shall provide 10 days' prior written notice to the Liquidity Agent, each Bank and each Rating Agency of any proposed amendment described above (whether or not consent is required hereunder). Any amendment, waiver, supplement, restatement or other modification to any provision hereof or any of the Facilities Documents that would affect the rights, duties or obligations of the Liquidity Agent shall not be effective without the Liquidity Agent's consent. Each Bank and each subsequent holder of a Loan Note shall be bound by any waiver, amendment or modification authorized by this Section regardless of whether its Loan Notes shall have been marked to make reference thereto, and any consent by any Bank or holder of Loan Notes pursuant to this Section shall bind any Person subsequently acquiring a Loan Note from it, whether or not such Loan Note shall have been so marked. The Liquidity Agent is authorized to execute on behalf of the Banks any amendment waiver or other modification (or any consent thereto) requiring the consent of the Required Banks or all Banks under this Section 10.03(a) subject to its receipt of authorization so to do by the prescribed number of Banks.

(b) No amendment, waiver, supplement, restatement, discharge or termination described in the clause (iv), (v) or (vi) of the penultimate proviso to the third sentence of Section 10.03(a) and no amendment to Section 6 of the Supplement which removes therefrom any required approval or consent of the Rating Agencies set forth therein (as of the Issuance Date) shall be effective until the CP Issuer and the Liquidity Agent shall have received written notice from each of S&P and Moody's, respectively, to the effect that such amendment, waiver, supplement, restatement, discharge or termination would not result in a withdrawal or reduction of the then-current rating on the Commercial Paper by such rating agency to a rating below A-1 by S&P and P-1 by Moody's.

(c) The CP Issuer may, upon five Business Days' prior written notice given to the Liquidity Agent, replace any Bank not agreeing to a proposed amendment described in the penultimate proviso to the third sentence of Section 10.03(a) with a financial institution reasonably acceptable to the Liquidity Agent having short-term credit ratings of at least A-1 and P-1 by S&P and Moody's, respectively, to its short-term obligations, and such financial institution shall execute an Assign-

ment and Acceptance and deliver it to the Liquidity Agent and shall comply with all the provisions of this Agreement, including, but not limited to, Section 10.05 hereof. No such replacement pursuant to this paragraph (c) shall be effective unless all amounts owing to the Bank to be replaced are paid in full and S&P and Moody's shall have confirmed in writing to the CP Issuer and the Liquidity Agent that such replacement would not result in a withdrawal or reduction of the then-current rating on the Commercial Paper.

SECTION 10.04 Expenses and Indemnification.

(a) The CP Issuer shall pay (i) the fees of each Bank up to a limit of \$5,000 in connection with preparation and delivery of the opinion or opinions of counsel required pursuant to Section 6.01(n) and (ii) all reasonable out-of-pocket costs and expenses of the Liquidity Agent incurred in connection with the preparation, execution, delivery, amendment, modification, waiver of, and of the Liquidity Agent and each Bank in connection with the enforcement of, this Agreement, the other Facilities Documents to which it is a party and the making and repayment of the Loans, including the reasonable fees and out-of-pocket expenses of counsel in connection with each of the foregoing.

(b) In addition, the CP Issuer agrees to pay, and to hold the Banks harmless from all liability for, any stamp taxes imposed by future changes in law (including interest and penalties, and fees) which may be payable in connection with this Agreement, the borrowings hereunder, each Facilities Document or the issuance of the Loan Notes or any modification of any of the foregoing.

(c) The CP Issuer shall (a) indemnify and hold harmless each Bank, the Liquidity Agent and each director, officer, employee and affiliate thereof from and against all losses, claims, damages, expenses or liabilities to which such Bank, the Liquidity Agent or such director, officer, employee or Affiliate may become subject, insofar as such losses, claims, damages, expenses or liabilities (or actions, suits or proceedings including any inquiry or investigation or claims in respect thereof) arise out of, in any way relate to, or result from the transactions contemplated by, this Agreement or the Facilities Documents, including the offer and

sale of the Commercial Paper, and (b) reimburse each of the Banks and the Liquidity Agent and each such director, officer, employer or affiliate upon their demand (a copy of which demand shall be provided to Federated simultaneously with its delivery to the CP Issuer), for any reasonable legal or other expenses (including (but not as well as) the reasonable allocated costs of staff counsel) incurred in connection with the investigating, preparing to defend or defending any such loss, claim, damage, liability, action or claim; provided, however, that neither any Bank nor the Liquidity Agent shall have the right to be so indemnified hereunder for its own gross negligence or willful misconduct. If any action is brought against the Liquidity Agent, any Bank or any other Person indemnified or intended to be indemnified pursuant to this subsection, the CP Issuer shall, if requested by the Liquidity Agent, such Bank or any such indemnified Person, resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel reasonably satisfactory to the Person or Persons indemnified or intended to be indemnified. Each indemnified Person shall, unless the Liquidity Agent, a Bank or other indemnified Person has made the request described in the preceding sentence and such request has been compiled with, have the right to employ its own counsel (or (but not as well as) staff counsel) to investigate and control the defense of any other matter covered by such indemnity and the reasonable fees and expenses of such counsel shall be at the expense of the indemnifying party.

(d) All obligations provided for in this Section 10.04 and in Sections 3.11 and 3.12 shall survive any termination of this Agreement.

SECTION 10.05 Successors and Assigns; Descriptive Headings. (a) This Agreement shall bind, and the benefits hereof shall inure to, the CP Issuer, Federated, the Liquidity Agent and the Banks and their respective successors and assigns; provided that neither the CP Issuer nor Federated may transfer or assign any or all of its rights and obligations hereunder without the prior written consent of each Bank.

(b) Any Bank may sell, transfer or assign all or any portion of its obligation to make Loans hereunder to any Bank or other financial institution approved in advance by the Liquidity Agent (which approv-

al shall not be unreasonably withheld) (each an "Assignee"), if either (i)(A) the bank proposing to purchase such obligation is rated at least A-1 and P-1 by S&P and Moody's, respectively, and delivers opinions of counsel covering, inter alia, the enforceability of this Agreement and such other matters as may be required by the Rating Agencies then rating the Commercial Paper and (B) such purchase does not occur unless S&P and Moody's shall have confirmed in writing to the CP Issuer and the Liquidity Agent that such sale, transfer or assignment would not result in a withdrawal or reduction of the then current rating by S&P and Moody's, respectively, of the Commercial Paper, or (ii) the Bank proposing such sale, transfer or assignment (including the sale of any participation) agrees to remain obligated to perform its obligations under this Agreement with respect to the portion of its obligations proposed to be sold, transferred or assigned. Any such Assignee shall make the covenant contained in Section 10.14 hereof and shall agree to be bound by the provisions of Section 10.10 hereof.

(c) Each Bank may sell participations in all or any part of any Loan or Loans or Commitment to another bank or other entity, in which event the participant shall not have any rights under the Facilities Documents (the participant's rights against such Bank in respect of its participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the CP Issuer or Federated hereunder shall be determined, except as provided below, as if such Bank had not sold such participation; provided, that any such Participant shall be entitled to the benefits of the payments required to be made by the CP Issuer pursuant to (x) Section 10.04(c) and (y) Sections 3.11, 3.12 and 3.13 hereof subject in the case of this clause (y) to the limitation that no such Participant shall be entitled to receive amounts under such Sections that are greater than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank had such transfer not occurred. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Loan Note for all purposes under this Agreement, and the CP Issuer, Federated and the Liquidity Agent shall continue to deal sole-

ly and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the participant shall agree to be bound by the provisions of Section 10.10.

(d) Each Bank may furnish any information concerning the CP Issuer or Federated, in the possession of such Bank from time to time to assignees and participants (including the prospective assignees and participants); provided, however, that any such assignee or participant shall have agreed in writing prior to receiving any such information to the terms set forth in the covenant contained in Section 10.14(b) hereof.

(e) The descriptive headings of the various sections of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 10.06 Notices, Requests, Demands.

Except where telephonic instructions or notices are expressly authorized herein to be given, all notices, demands, instructions, requests, consents and other communications required or permitted to be given to or made upon any party hereto or other Person listed below shall be in writing and shall be personally delivered or sent by registered, certified or express mail, postage prepaid, return receipt requested, or by telex, facsimile transmission, TWX or prepaid telegram (with messenger delivery specified in the case of a telegram) and shall be deemed to be given for purposes of this Agreement on the day that such writing is received by the intended recipient thereof in accordance with the provisions of this Section or in the case of notice by telex, facsimile transmission or TWX, when transmitted (receipt confirmed). Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions, requests, consents and other communications in writing shall be given to or made upon the respective parties hereto or other Person listed below at their respective addresses (or to their respective telex, facsimile transmission or TWX numbers) indicated below and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below or such other Person or at any other address (including any other telex, facsimile transmission or TWX numbers) or tele-

phone number or numbers, as the case may be, as any party hereto or such other Person may notify to the other parties hereto or other Person in accordance with the provisions of this Section 10.06.

If to the CP Issuer, to it at:

Deerfield Funding Corporation
4705 Duke Drive
Mason, Ohio 45040
Attention: President
Tel. No. (513) 573-2006
Telecopy No. (513) 573-2039

with a copy to Federated at the address specified below

If to the Liquidity Agent, to it at:

the address set forth in Schedule I hereto

If to the Banks, to the respective addresses set forth with their respective names in Schedule I hereto.

If to the CP Dealers, to them at:

Goldman Sachs Money Markets, L.P.
85 Broad Street
New York, New York 10004
Attention: David Keller,
Commercial Paper Credit Department
Tel. No. (212) 902-3693
Telecopy No. (212) 363-7609

Shearson Lehman Brothers Inc.
American Express Tower
World Financial Center
New York, New York 10285
Attention: Commercial Paper Product Management
Tel. No. (212) 640-0262
Telecopy No. (212) 528-6925

If to the Depositary:

Chemical Bank
55 Water Street
Room 1820
New York, New York 10041
Attention: Corporate Trustee Administra-
tion Department
Tel. No. (212) 820-5165
Telecopy No. (212) 514-6192

If to the Transferor:

Prime Receivables Corporation
4705 Duke Drive
Mason, Ohio 45040
Attention: President
Tel. No. (513) 573-2037
Telecopy No. (513) 573-2039

If to Federated:

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Tel. No. (513) 579-7000
Telecopy No. (513) 579-7555

-and-

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Chief Financial Officer
Tel. No. (513) 579-7000
Telecopy No. (513) 579-7555

If to Moody's:

Moody's Investors Service, Inc.
99 Church Street
New York, N.Y. 10007
Attention: Structured Finance Group;
ABS Monitoring
Tel. No. (212) 553-7139
Telecopy No. (212) 553-4000

If to S&P:

Standard & Poor's Corporation
26 Broadway (15th Floor)
New York, N.Y. 10004
Attention: Asset Backed Surveillance
Department
Tel. No. (212) 208-8000
Telecopy No. (212) 208-0031

SECTION 10.07 Survival of Representations and Warranties. All covenants, agreements, representations and warranties made by the CP Issuer and Federated herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Facilities Document shall be considered to have been relied upon by the Banks and the Liquidity Agent and shall survive the execution and delivery of this Agreement and the making by the Banks of the Loans, and the execution and delivery to the Banks of the Loan Notes evidencing such Loans, regardless of any investigation made by any Bank or the Liquidity Agent or on their behalf and, unless stated herein to survive for a longer period, shall continue so long as and until such time as no Commercial Paper is Outstanding and all indebtedness hereunder and under the Loan Notes shall have been paid in full and the Commitment of each Bank has been terminated.

SECTION 10.08 Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement. Complete counterparts of this Agreement shall be lodged with the CP Issuer, Federated and the Liquidity Agent.

SECTION 10.09 Setoff; Adjustments. (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the designation of the Amortization Period Commencement Date for the Variable Funding Certificates because of the occurrence and continuance of a Pay Out Event, each Bank is hereby authorized at any time or 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 any other indebtedness at any time owing by such Bank to or for the credit or the account of the CP Issuer against any of and all the obligations and liabilities of the CP Issuer now or hereafter existing under this Agreement and the Loan Notes held by such Bank, including, without limitation, all claims of any nature or description arising out of or connected with this Agreement or the Loan Notes, irrespective of whether or not such Bank shall have made any demand hereunder or under the Loan Notes and although said obligations, liabilities or claims, may be contingent or unmatured; provided, however, that, notwithstanding anything in this Section 10.09 to the contrary, the rights of the Banks and the Liquidity Agent to the Commercial Paper Account and any portion of the Collateral Account shall be governed by the applicable Facilities Documents. The Liquidity Agent and each Bank agrees promptly to notify the CP Issuer after any such set-off and application made by the Liquidity Agent or such Bank; provided that the failure to give such notice shall not affect the validity of such set-off and application.

(b) Each Bank agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the CP Issuer, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim received by such Bank under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Liquidity Loan or Liquidity Loans as a result of which the unpaid principal portion of its Liquidity Loans shall be proportionately less than the unpaid principal portion of the Liquidity Loans of any other Bank (except to the extent specifically permitted hereunder), each Bank shall be deemed simultaneously to have purchased from such other Bank at face value, and shall promptly pay to such other Bank the purchase price for, a participation in the Liquidity Loans of such other Bank, so that the aggregate unpaid principal amount of the Liquidity Loans and participations in Liquidity Loans held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of all Liquidity Loans then outstanding as the principal amount of its Liquidity Loans prior to such exercise of such banker's lien, setoff or counterclaim or other event was to the principal amount of all Liquidity Loans outstanding prior to such exercise of such banker's

lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The CP Issuer expressly consents to the foregoing arrangements and agrees that any Bank holding a participation in a Liquidity Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the CP Issuer to such Bank by reason thereof to the extent provided in subsection (a) above.

SECTION 10.10 No Bankruptcy Petition Against the CP Issuer. Each Bank, severally and not jointly, and Federated hereby covenant and agree that, prior to the date which is one year and one day after the payment in full of all outstanding Commercial Paper and Loan Notes, none of them will institute against, or join any other Person in instituting against, the CP Issuer or the Transferor any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

SECTION 10.11 No Recourse. The obligations of the CP Issuer under this Agreement and the Loan Notes, are solely the corporate obligations of the CP Issuer. No recourse shall be had for the payment of any amount owing by the CP Issuer in respect of Loans or, except as expressly provided in Section 3.18, for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement and the Loan Notes for which the CP Issuer is liable hereunder against Federated or any stockholder, employee, officer, director or incorporator of the CP Issuer or Federated.

SECTION 10.12 Appointment and Rights of the Liquidity Agent. (a) Each Bank hereby irrevocably appoints Credit Suisse, New York Branch as its Liquidity Agent hereunder and under the other Facilities Documents and hereby authorizes the Liquidity Agent to take such action on its behalf and to exercise such rights, remedies, powers and privileges hereunder or thereunder as are specifically authorized to be exercised by the Liquidity Agent (including as Controlling Party) by the

terms hereof or thereof, together with such rights, remedies, powers and privileges as are reasonably incidental thereto. The Liquidity Agent may execute any of their duties hereunder and under any other Facilities Document by or through agents or employees. The relationship between the Liquidity Agent and each Bank is that of agent and principal only, and nothing herein shall be deemed to constitute the Liquidity Agent a trustee for any Bank or impose on the Liquidity Agent any obligations other than those for which express provision is made herein or in any other Facilities Document. The Liquidity Agent is solely an agent of the Banks and as such and as Controlling Party shall not have any obligation to any holder of Commercial Paper, whether as agent, trustee or otherwise.

(b) The obligations of the Liquidity Agent are only those expressly set forth herein or in the other Facilities Documents. Without limiting the generality of the foregoing, the Liquidity Agent shall not be required to take any action with respect to any Event of Default or Pay Out Event, except as expressly provided in Article VIII hereof.

(c) Neither the Liquidity Agent nor any of its directors, officers, agents or employees, shall be liable for any action taken or omitted to be taken by them hereunder or under any other Facilities Document, or in connection herewith or therewith, (i) with the consent or at the request of the Required Banks or (ii) in the absence of their own gross negligence or wilful misconduct. The Liquidity Agent may consult with legal counsel (including counsel for the CP Issuer, the Transferor or Federated), independent public accountants and other experts selected by them and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts. Neither the Liquidity Agent nor any of its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statements, warranties or representations made (whether written or oral) in or in connection with this Agreement, any other Facilities Document, the Receivables Purchase Agreement, the Bill of Sale and Assignment Agreement or any other document furnished pursuant hereto or thereto or in connection here-with or therewith; (ii) the performance, observance or satisfaction of any of the terms, covenants or conditions

of this Agreement, any other Facilities Document, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement on the part of any party hereto or thereto or to inspect the property (including the books and records) of the CP Issuer or Federated; or (iii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Facilities Document, the Receivables Purchase Agreement, the Bill of Sale and Assignment Agreement or any other instrument or document furnished pursuant hereto or thereto. Without limiting the generality of the foregoing, the Liquidity Agent shall not be deemed to have notice or knowledge of the existence of any Event of Default or Pay Out Event unless (x) the Liquidity Agent is notified of such Event of Default or Pay Out Event in accordance with the terms of the Facilities Documents or (y) an officer of the Liquidity Agent who has ongoing responsibility for the administration of the Liquidity Agent's activities in such capacity has actual knowledge of such event. If the Liquidity Agent obtains such knowledge it will promptly notify the Banks, and any Bank obtaining knowledge of the existence of an Event of Default or Pay Out Event as aforesaid (other than by notice from the Liquidity Agent) will notify the Liquidity Agent. The Liquidity Agent (i) shall incur no liability under or in respect of this Agreement or any other Facilities Document, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement, by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, facsimile, TWX or telex) or telephonic instruction, to the extent authorized herein or therein, believed by it to be genuine and signed or sent by the proper party or parties and (ii) may treat the payee of any Loan Note as the holder thereof until the Liquidity Agent receives an Assignment and Acceptance signed by the assigning Bank and the Assignee and all the conditions precedent to the effectiveness thereof have been satisfied.

(d) Each Bank hereby agrees, in the ratio that such Bank's Percentage of the Liquidity Commitment hereunder (or if its Bank Commitment Amount is zero, its Loans) bears to the Liquidity Commitment plus the outstanding principal amount of all Loans made by Banks whose Bank Commitment Amount is zero (or if the Commitment of each Bank has been terminated, its Loans to all outstanding Loans), to indemnify and hold harmless the Liquidity Agent, from and against any and all losses,

liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses of any kind whatsoever (including, without limitation, reasonable fees and expenses of attorneys, accountants and experts) incurred or suffered by the Liquidity Agent in its capacity as Liquidity Agent (or Controlling Party) hereunder or under the other Facilities Documents as a result of any action taken or omitted to be taken by the Liquidity Agent in such capacity or otherwise incurred or suffered by, made upon, or assessed against the Liquidity Agent in such capacity; provided, that no Bank shall be liable for any portion of any such losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs or expenses resulting from or attributable to gross negligence or wilful misconduct on the part of the Liquidity Agent or its officers, employees or agents, as determined by a court of competent jurisdiction by final and nonappealable judgment. Without limiting the generality of the foregoing, each Bank hereby agrees, in the ratio aforesaid, to reimburse the Liquidity Agent promptly following its demand for any out-of-pocket expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Liquidity Agent hereunder or under any other Facilities Document, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities hereunder or under such Agreements, and not promptly reimbursed to the Liquidity Agent by the CP Issuer or Federated. Each Bank's obligations under this paragraph shall survive the termination of this Agreement and the discharge of the CP Issuer's and Federated's obligations hereunder.

(e) The Banks agree that Credit Suisse, New York Branch and its Affiliates shall have the same rights and powers hereunder as any other Bank or holder of a Loan Note and may exercise or refrain from exercising the same as though Credit Suisse, New York Branch were not the Liquidity Agent and the terms "Banks," "holders of Loan Notes," or any similar terms shall, unless the context clearly otherwise indicates, include Credit Suisse, New York Branch, in its individual capacity. Credit Suisse, New York Branch and its Affiliates may accept deposits from, lend money to, and generally

engage in any kind of banking, trust or other business with the CP Issuer or Federated or any of their respective Affiliates or any Person who may do business with or own securities of the CP Issuer or Federated or any Obligor or any of their respective Affiliates as if it were not the Liquidity Agent hereunder and may accept fees and other consideration from the CP Issuer or Federated, or any of their respective Affiliates for services in connection with this Agreement and otherwise without having to account for the same to any Bank.

(f) Each Bank expressly agrees that the Liquidity Agent shall enter into the Security Agreement on its behalf, and expressly consents to the priority of payments set forth in the Security Agreement.

SECTION 10.13 Resignation by the Liquidity Agent. The Liquidity Agent may resign as such at any time upon at least 30 days' prior written notice to the CP Issuer, Federated, the Depositary, the Collateral Agent, the Banks and the CP Dealer, and the Liquidity Agent shall be obligated to resign upon at least 30 days' prior written notice from the CP Issuer after the Liquidity Agent shall have become an Affected Bank that the CP Issuer has elected to replace pursuant to the provisions hereof; provided, however, that the resignation of the Liquidity Agent shall not be effective until the later of (i) the date upon which the Required Banks shall have agreed to the appointment of another Bank to perform the duties of the Liquidity Agent hereunder and the CP Issuer and Federated shall have consented to such appointment, which consent shall not be unreasonably withheld, and (ii) if the Liquidity Agent is an Affected Bank, the date on which the Liquidity Agent ceases to be a Bank. In the event of such resignation, the Required Banks shall as promptly as practicable appoint a successor agent to replace the Liquidity Agent. Notwithstanding the resignation of the Liquidity Agent hereunder, the provisions of Section 10.12 shall continue to inure to the benefit of the Liquidity Agent in respect of any action taken or omitted to be taken by the Liquidity Agent in its capacity as such (or Controlling Party) while it was Liquidity Agent under this Agreement.

SECTION 10.14 Representation and Warranty and Covenants of the Banks and the Liquidity Agent.

(a) Each Bank and the Liquidity Agent hereby represents

and warrants that this Agreement has been duly authorized, executed and delivered by it.

(b) Unless otherwise agreed to in writing by the CP Issuer, the Liquidity Agent and the Banks hereby agree to keep all Proprietary Information (as defined below) confidential and not to disclose or reveal any Proprietary Information to any Person other than the Liquidity Agent's or such Bank's directors, officers, employees, Affiliates and agents, and subject to Section 10.05(d), actual or potential Assignees and actual or potential participants; provided, however, that the Liquidity Agent or any of the Banks may disclose Proprietary Information (i) as required by law, rule, regulation or judicial process, (ii) to its attorneys and accountants who are expected to become engaged in rendering advice or assistance in connection therewith, (iii) as requested or required by any state, Federal or foreign authority or examiner regulating its activities or (iv) in connection with any enforcement of any of their rights under the Facilities Documents. For purposes of this Agreement, the term "Proprietary Information" shall include all information about the CP Issuer or any of its Affiliates which has been furnished or made available by the CP Issuer or any of its Affiliates, whether furnished or made available before or after the date hereof, and regardless of the manner in which it is furnished or made available; provided, however, that Proprietary Information does not include information which (x) is or becomes generally available to the public other than as a result of a disclosure by the Liquidity Agent or any of the Banks not permitted by this Agreement, (y) was available to the Liquidity Agent or any of the Banks on a nonconfidential basis prior to its disclosure to the Liquidity Agent or any of the Banks by the CP Issuer or any of its Affiliates or (z) becomes available to the Liquidity Agent or any of the Banks on a nonconfidential basis from a Person other than the CP Issuer or any of its Affiliates who, to the best knowledge of the Liquidity Agent or any of the Banks, as the case may be, is not otherwise bound by a confidentiality agreement with the CP Issuer or any of its Affiliates, or is not otherwise prohibited from transmitting the information to the Liquidity Agent or any of the Banks.

(c) Each Bank represents to the Liquidity Agent, and each of the other Banks that it in good faith is not relying on any Margin Stock as collateral in

the extension or maintenance of the credit provided for in this Agreement.

(d) Each Bank acknowledges that it has, independently and without reliance upon the Liquidity Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and to make Loans hereunder. Each Bank also acknowledges that it will, independently and without reliance on the Liquidity Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

(e) Except as otherwise expressly provided herein, the Liquidity Agent agrees to deliver to each Bank (i) promptly after receipt a copy of each Settlement Statement, (ii) promptly after such Bank's request, a copy of each Daily Report requested and (iii) promptly after receipt, each material opinion, certificate, notice or other document delivered to the Liquidity Agent under any Facilities Document or the Receivables Purchase Agreement.

SECTION 10.15 Third-Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon, the parties hereto and their respective successors and permitted assigns. The Liquidity Agent and the Banks hereby acknowledge that (i) pursuant to the Security Agreement, the CP Issuer has granted to the Collateral Agent for the benefit of the Secured Parties, including the holders of Commercial Paper, a security interest in the Collateral and (ii) the Depositary and the Commercial Paper holders are third-party beneficiaries of such rights of the CP Issuer to the extent of such security interest in the Collateral, provided that (a) the holders of Commercial Paper shall have no greater rights against the Liquidity Agent or the Banks in respect of the Collateral than the CP Issuer, and (b) the Liquidity Agent and the Banks shall have no greater obligations to such holders in respect of the Collateral than the Liquidity Agent and the Banks have to the CP Issuer.

SECTION 10.16 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND UNDER THE LOAN NOTES SHALL BE GOVERNED BY

AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.17 Waiver of Jury Trial. EACH OF THE CP ISSUER, FEDERATED, THE LIQUIDITY AGENT AND EACH BANK HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY OF THE FACILITIES DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

SECTION 10.18 Jurisdiction; Consent to Service of Process. (a) Each of the CP Issuer and Federated hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court and Federal courts of the United States and each Bank which is authorized to transact business in New York State hereby irrevocably and unconditionally submits to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of such 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 such 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.

(b) Each of the CP Issuer and Federated hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection 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 in any New York State or Federal court. 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.

(c) To the extent permitted by law, each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.06. Nothing in this Agreement will affect the

right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.19 Entire Agreement. This Agreement completely sets forth the agreements between the parties and fully supersedes all prior agreements, both written and oral, relating to all matters set forth herein except to the extent set forth in other Facilities Documents or (as to the amounts of certain fees) in various letters referred to in the Facilities Documents.

SECTION 10.20 Acknowledgements. The CP Issuer and Federated hereby acknowledge that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the Loan Notes;

(b) neither the Liquidity Agent nor any Bank has any fiduciary relationship to the CP Issuer or Federated, and the relationship between the Liquidity Agent and the Banks, on the one hand, and the CP Issuer and Federated, on the other hand, is solely that of debtor and creditor; and

(c) no joint venture exists among the Banks or among the CP Issuer and the Banks or the CP Issuer and Federated.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

DEERFIELD FUNDING CORPORATION

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

FEDERATED DEPARTMENT STORES, INC.

By Karen Hoguet
Name: Karen M. Hoguet
Title: Senior Vice President of Planning & Treasurer

CREDIT SUISSE, NEW YORK BRANCH,
as the Liquidity Agent
and as a Bank

By Bruce T. Miller
Name: BRUCE T. MILLER
Title: Member of Senior Management

By Jodie E. Driscoll
Name: JODIE E. DRISCOLL
Title: Associate

CAISSE NATIONALE DE CREDIT
AGRICOLE, CHICAGO BRANCH

By Katherine L Abbott

KATHERINE L. ABBOTT
FIRST VICE PRESIDENT

MELLON BANK, N.A.

By _____

Name:
Title:

NATIONAL WESTMINSTER BANK
PLC, NEW YORK BRANCH

By _____

Name:
Title:

THE SAKURA BANK, LIMITED
NEW YORK BRANCH

By _____

Name:
Title:

CAISSE NATIONALE DE CREDIT
AGRICOLE, CHICAGO BRANCH

By _____

MELLON BANK, N.A.

By 
Name: Perez S. Aron
Title: VP

NATIONAL WESTMINSTER BANK
PLC, NEW YORK BRANCH

By _____
Name:
Title:

THE SAKURA BANK, LIMITED
NEW YORK BRANCH

By _____
Name:
Title:

CAISSE NATIONALE DE CREDIT
AGRICOLE, CHICAGO BRANCH

By _____

MELLON BANK, N.A.

By _____
Name:
Title:

NATIONAL WESTMINSTER BANK
PLC, NEW YORK BRANCH AND
NASSAU BRANCH

By Todd Kendall
Name:
Title: TODD KENDALL
VICE PRESIDENT

THE SAKURA BANK, LIMITED
NEW YORK BRANCH

By _____
Name:
Title:

CAISSE NATIONALE DE CREDIT
AGRICOLE, CHICAGO BRANCH

By _____

MELLON BANK, N.A.

By _____
Name:
Title:

NATIONAL WESTMINSTER BANK
PLC, NEW YORK BRANCH

By _____
Name:
Title:

THE SAKURA BANK, LIMITED
NEW YORK BRANCH

By 
Name: Masayuki Kobayashi
Title: Senior Vice President and
Assistant General Manager

SOCIETE GENERALE

By Editha A. Jones / Ron
Name: EDITHA A. JONES / Cashier Gen
Title: VP VP

THE CENTRAL TRUST COMPANY, N.A.

By _____
Name:
Title:

Agreed for the purposes
of Section 10.03 only

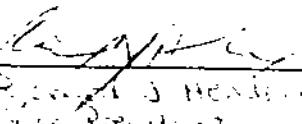
PRIME RECEIVABLES
CORPORATION

By _____
Name:
Title:

SOCIETE GENERALE

By _____
Name:
Title:

THE CENTRAL TRUST COMPANY, N.A.

By 
Name: ~~Robert J. Hendon~~
Title: ~~the President~~

Agreed for the purposes
of Section 10.03 only

PRIME RECEIVABLES
CORPORATION

By _____
Name:
Title:

SOCIETE GENERALE

By _____
Name:
Title:

THE CENTRAL TRUST COMPANY, N.A.

By _____
Name:
Title:

Agreed for the purposes
of Section 10.03 only

PRIME RECEIVABLES
CORPORATION

By Karen Huguet
Name: Karen M. Huguet
Title: Chairman of the Board

EXHIBIT A

FORM OF REVOLVING LOAN NOTE

\$ 1

New York, New York
_____, 19____

On the Expiration Date of the Bank or, if earlier, the Scheduled Maturity Date the undersigned, a Delaware corporation (the "CP Issuer"), FOR VALUE RECEIVED, promises to pay to the order of _____ (the "Bank"), or its registered assigns at the office of Credit Suisse, New York Branch (the "Liquidity Agent") at _____, the principal sum of _____² United States Dollars (U.S. \$ _____¹) or, if less, the aggregate unpaid principal amount of all Revolving Loans made by the Bank to the CP Issuer pursuant to the Liquidity Agreement referred to below.

The CP Issuer also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) at the rates per annum specified in Section 3.07 of the Liquidity Agreement and, after maturity, until paid, at the rates per annum specified in Section 3.07 of the Liquidity Agreement, said interest to be payable to the Bank at the aforesaid office of the Liquidity Agent on such dates as are specified in the Liquidity Agreement and at maturity (whether by acceleration or otherwise).

Payments of both principal and interest are to be made in lawful money of the United States of America and in immediately available funds in accordance with the Liquidity Agreement.

This Revolving Loan Note evidences indebtedness incurred under, and is subject to the terms and provi-

¹ Insert amount equal to the Percentage of the Liquidity Commitment of the appropriate Bank in figures.

² Insert amount equal to the Percentage of the Liquidity Commitment of the appropriate Bank in words.

sions of and entitled to the benefits of, a Liquidity Agreement, dated as of December 31, 1992 (as from time to time amended, the "Liquidity Agreement"), among the CP Issuer, certain lenders (including the Bank), Federated and the Liquidity Agent. Terms defined in the Liquidity Agreement are used herein as therein defined. Reference is hereby made to the Liquidity Agreement for a statement of its terms and provisions, including those under which this Revolving Loan Note may be paid prior to its due date or its due date may be accelerated.

This Revolving Loan Note is secured by and is entitled to the benefits of a Security Agreement, dated as of December 31, 1992, as from time to time further amended, among the CP Issuer, Federated, Chemical Bank, as Collateral Agent under such Security Agreement, Chemical Bank, as Depositary and the Liquidity Agent.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor.

**THIS REVOLVING LOAN NOTE SHALL BE GOVERNED BY,
AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE
OF NEW YORK.**

DEERFIELD FUNDING CORPORATION

By _____
Authorized Signatory

SCHEDULE

| <u>Date</u> | <u>Amount and Type of Revolving Loan Made or Converted</u> | <u>Amount of Principal Paid</u> | <u>Unpaid Principal Balance of Note</u> | <u>Name of Person Making Notation</u> |
|-------------|--|---|---|---|
|-------------|--|---|---|---|

EXHIBIT B

FORM OF REFUNDING LOAN NOTE

\$

1

New York, New York

, 19

On the Expiration Date of the Bank or, if earlier, the Scheduled Maturity Date the undersigned, a Delaware corporation (the "CP Issuer"), FOR VALUE RECEIVED, promises to pay to the order of _____ (the "Bank"), or its registered assigns at the office of Credit Suisse, New York Branch (the "Liquidity Agent") at _____, the principal sum of _____² United States Dollars (U.S. \$¹) or, if less, the aggregate unpaid principal amount of all Refunding Loans made by the Bank to the CP Issuer pursuant to the Liquidity Agreement referred to below.

The CP Issuer also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) at the rates per annum specified in Section 3.07 of the Liquidity Agreement and, after maturity, until paid, at the rate per annum specified in Section 3.07 of the Liquidity Agreement, said interest to be payable to the Bank at the aforesaid office of the Liquidity Agent on such dates as are specified in the Liquidity Agreement and at maturity (whether by acceleration or otherwise).

Payments of both principal and interest are to be made in lawful money of the United States of America and in immediately available funds in accordance with the Liquidity Agreement.

This Refunding Loan Note evidences indebtedness incurred under, and is subject to the terms and provisions of and entitled to the benefits of, a Liquidity

¹ Insert amount equal to the Percentage of the Liquidity Commitment of the appropriate Bank in figures.

² Insert amount equal to the Percentage of the Liquidity Commitment of the appropriate Bank in words.

Agreement, dated as of December 31, 1992 (as from time to time amended, the "Liquidity Agreement"), among the CP Issuer, certain lenders (including the Bank), Federated and the Liquidity Agent. Terms defined in the Liquidity Agreement are used herein as therein defined.

Reference is hereby made to the Liquidity Agreement for a statement of its terms and provisions, including those under which this Refunding Loan Note may be paid prior to its due date or its due date may be accelerated.

This Refunding Loan Note is secured by and is entitled to the benefits of a Security Agreement, dated as of December 31, 1992, as from time to time amended, among the CP Issuer, Federated, Chemical Bank, as Collateral Agent under such Security Agreement, Chemical Bank, as Depositary and the Liquidity Agent.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor.

THIS REFUNDING LOAN NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

DEERFIELD FUNDING CORPORATION

By _____
Authorized Signatory

SCHEDULE

| <u>Date</u> | <u>Amount of Refunding Loan</u> | <u>Amount of Principal Paid</u> | <u>Unpaid Principal Balance of Note</u> | <u>Name of Person Making Notation</u> |
|-------------|-------------------------------------|---|---|---|
|-------------|-------------------------------------|---|---|---|

EXHIBIT C

FORM OF NON PRC RATA LOAN NOTE

\$

¹

New York, New York

, 19

On the Expiration Date of the Bank or, if earlier, the Scheduled Maturity Date the undersigned, a Delaware corporation (the "CP Issuer"), FOR VALUE RECEIVED, promises to pay to the order of _____ (the "Bank"), or its registered assigns at the office of Credit Suisse, New York Branch (the "Liquidity Agent") at _____, the principal sum of _____² United States Dollars (U.S. \$ _____¹) or, if less, the aggregate unpaid principal amount of the Non Pro Rata Loan made by the Bank to the CP Issuer pursuant to the Liquidity Agreement referred to below.

The CP Issuer also promises to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity (whether by acceleration or otherwise) at the rates per annum specified in Section 3.07 of the Liquidity Agreement and, after maturity, until paid, at the rate per annum specified in Section 3.07 of the Liquidity Agreement, said interest to be payable to the Bank at the aforesaid office of the Liquidity Agent on such dates as are specified in the Liquidity Agreement and at maturity (whether by acceleration or otherwise).

Payments of both principal and interest are to be made in lawful money of the United States of America and in immediately available funds in accordance with the Liquidity Agreement.

This Non Pro Rata Loan Note evidences indebtedness incurred under, and is subject to the terms and provisions of and entitled to the benefits of, a Liquid-

¹ Insert amount equal to the Bank Commitment Amount of the appropriate Bank in figures.

² Insert amount equal to the Bank Commitment Amount of the appropriate Bank in words.

ity Agreement, dated as of December 31, 1992 (as from time to time amended, the "Liquidity Agreement"), among the CP Issuer, certain lenders (including the Bank), Federated and the Liquidity Agent. Terms defined in the Liquidity Agreement are used herein as therein defined.

Reference is hereby made to the Liquidity Agreement for a statement of its terms and provisions, including those under which this Non Pro Rata Loan Note may be paid prior to its due date or its due date may be accelerated.

This Non Pro Rata Loan Note is secured by and is entitled to the benefits of a Security Agreement, dated as of December 31, 1992, as from time to time amended, among the CP Issuer, Federated, Chemical Bank, as Collateral Agent under such Security Agreement, Chemical Bank, as Depositary and the Liquidity Agent.

All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor.

THIS NON PRO RATA LOAN NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

DEERFIELD FUNDING CORPORATION

By _____
Authorized Signatory

EXHIBIT D

FORM OF POOLING AND SERVICING AGREEMENT

EXHIBIT E

FORM OF SUPPLEMENT

EXHIBIT F

FORM OF DEPOSITORY AGREEMENT

EXHIBIT G

FORM OF SECURITY AGREEMENT

EXHIBIT H

FORM OF NOTICE OF REVOLVING BORROWING

, 199_

TO: Each Bank that is a party to the Liquidity Agreement referred to below

Ladies and Gentlemen:

The undersigned, Deerfield Funding Corporation (the "CP Issuer") refers to the Liquidity Agreement, dated as of December 31, 1992 (the "Liquidity Agreement," the terms defined therein being used herein as therein defined), among the CP Issuer, Federated and Credit Suisse, New York Branch as Liquidity Agent and the Banks listed on the signature pages thereof, and hereby gives you notice pursuant to Section 3.02 of the Liquidity Agreement and in that connection sets forth below the information relating to such Revolving Borrowing (the "Proposed Borrowing") as required by Section 3.02 of the Liquidity Agreement:

(i) The requested Business Day of the Proposed Borrowing is _____, 199_;

(ii) The aggregate amount of the Proposed Borrowing is \$_____;

(iii) The Type[s] of Loan[s] requested for such Proposed Borrowing [is] [are] [Base Rate Loans] [and] [LIBOR Rate Loans having a Fixed Period of ____].

The CP Issuer hereby represents and warrants that the conditions precedent to this Borrowing set forth in Section 6.02 of the Liquidity Agreement have been on the date hereof and on the date of such Borrowing will be, met.

Very truly yours,

DEERFIELD FUNDING CORPORATION

By _____
Authorized Officer

EXHIBIT I

FORM OF NOTICE OF REFUNDING BORROWING

_____, 199_

TO: Each Bank that is a party to the Liquidity Agreement referred to below

Ladies and Gentlemen:

The undersigned, [Chemical Bank, as Depositary and Attorney-in-fact for] Deerfield Funding Corporation (the "CP Issuer") refers to the Liquidity Agreement, dated as of December 31, 1992 (the "Liquidity Agreement," the terms defined therein being used herein as therein defined), among the CP Issuer, Federated and Credit Suisse, New York Branch as Liquidity Agent and the Banks listed on the signature pages thereof, and hereby gives you notice pursuant to Section 3.03 of the Liquidity Agreement and in that connection sets forth below the information relating to such Refunding Borrowing (the "Proposed Borrowing") as required by Section 3.03 of the Liquidity Agreement:

(i) The requested Business Day of the Proposed Borrowing is _____, 199_;

(ii) The aggregate amount of the Proposed Borrowing is \$_____.

The CP Issuer hereby represents and warrants that the conditions precedent to this Borrowing set forth in

Section 6.03 of the Liquidity Agreement have been on the date hereof and on the date of such Borrowing will be, met.

Very truly yours,

DEERFIELD FUNDING CORPORATION

By _____
Authorized Officer

[or

DEERFIELD FUNDING CORPORATION

By CHEMICAL BANK, as Depositary
and Attorney-in-Fact

By _____]
Authorized Officer]

EXHIBIT K

FORM OF OPINION OF COUNSEL TO THE CP ISSUER
AND FEDERATED

EXHIBIT J

FORM OF NOTICE OF NON PRO RATA BORROWING

_____, 199_

TO: Credit Suisse, New York Branch, as Liquidity Agent
under the Liquidity Agreement referred to below

Ladies and Gentlemen:

The undersigned, Deerfield Funding Corporation (the "CP Issuer") refers to the Liquidity Agreement, dated as of December 31, 1992 (the "Liquidity Agreement," the terms defined therein being used herein as therein defined), among the CP Issuer, Federated and Credit Suisse, New York Branch as Liquidity Agent and the Banks listed on the signature pages thereof, and hereby gives you notice pursuant to Section 3.03(e) of the Liquidity Agreement of a proposed Non Pro Rata Loan from _____¹ (the "Proposed Borrowing") and in that connection sets forth below the information relating to such Proposed Borrowing as required by Section 3.03(e) of the Liquidity Agreement:

(i) The requested Business Day of the Proposed Borrowing is _____, 199_;

(ii) The aggregate amount of the Proposed Borrowing is \$ _____; and

(iii) The Proposed Borrowing is to be comprised of Base Rate Loans.

Enclosed herewith is a duly executed Non Pro Rata Loan Note payable to _____ in the appropriate Bank Commitment Amount which you are authorized to deliver to _____ upon receipt of the proceeds of the Proposed Borrowing.

¹ Insert name of Bank(s) from which Non Pro Rata Loan(s) are being requested.

The CP Issuer hereby represents and warrants that the conditions precedent to this Borrowing set forth in Section 3.03(e) of the Liquidity Agreement have been on the date hereof and on the date of such Borrowing will be, met.

Very truly yours,

DEERFIELD FUNDING CORPORATION

By _____
Authorized Officer

EXHIBIT L

FORM OF OPINION OF COUNSEL TO THE TRUSTEE

EXHIBIT M

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated as of: _____, 199____

Reference is made to the Liquidity Agreement dated as of December 31, 1992 (as restated, amended, modified, supplemented and in effect from time to time, the "Liquidity Agreement"), among DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer"), Federated, the financial institutions named therein, and Credit Suisse, New York Branch, as Liquidity Agent (the "Liquidity Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Liquidity Agreement. This Assignment and Acceptance between the Assignor (as set forth on Schedule I hereto and made a part hereof) and the Assignee (as set forth on Schedule I hereto made a part hereof) is dated as of the Effective Date (as set forth on Schedule I hereto and made a part hereof).

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocable purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date set forth on Schedule I hereto, an undivided interest (the "Assigned Interest") in and to all the Assignor's rights and obligations under the Liquidity Agreement respecting those and only those, credit facilities contained in the Liquidity Agreement as are set forth on Schedule I (the "Assigned Facilities"), in a principal amount for each Assigned Facility as set forth on Schedule I.

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Liquidity Agreement, or any other of the Facilities Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Liquidity Agreement, any other of the Facilities Documents or any other instrument or document furnished pursuant thereto, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder and

that such interest is free and clear of any Liens granted by such assigning Bank; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition or creditworthiness of the CP Issuer, the Trust, the Transferor, Federated or any Trust Property or the performance or observance by the CP Issuer, the Trustee, the Transferor or Federated of any of their respective obligations under the Liquidity Agreement, any of the other Facilities Documents, the Receivables Purchase Agreement or the Bill of Sale and Assignment Agreement in the case of Federated or any other instrument or document furnished pursuant thereto; and (iii) requests that the Liquidity Agent request that the CP Issuer exchange each Loan Note held by it evidencing the Assigned Facilities for a new Loan Note or Loan Notes payable to the Assignor (if the Assignor has retained any interest in the Assigned Facility) and a new Loan Note or Loan Notes payable to the Assignee in the respective amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Liquidity Agreement, together with copies of such other documents and information as it has deemed appropriate to make its own credit analysis independently and without reliance on the Liquidity Agent, the Assignor or any other Bank; (iii) agrees that it will, independently and without reliance upon the Liquidity Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Liquidity Agreement; (iv) appoints and authorizes the Liquidity Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Liquidity Agreement and the other Facilities Documents as are delegated to the Liquidity Agent or the Collateral Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will be bound by the provisions of the Liquidity Agreement (including, without limitation, Sections 10.10, 10.12(d) and 10.14(b) thereof) and will perform in accordance with its terms all the obligations which by the terms of the Liquidity Agreement are required to be performed by it as a Bank; (vi) has attached hereto (A) evidence that the short-term obligations of the Assignee are rated at least A-1 and P-1 by S&P and Moody's, respectively, (B) an opinion of counsel in a form

reasonably acceptable to S&P, Moody's and the CP Issuer to the effect that, upon the effectiveness of this Assignment and Acceptance, the Liquidity Agreement is the legal, valid and binding obligation of the Assignee, enforceable against it in accordance with its terms, (C) evidence that S&P and Moody's have confirmed that the assignment contemplated hereby would not result in the withdrawal or reduction of the current rating by S&P and Moody's, respectively, of the Commercial Paper; (vii) has supplied the information requested on the administrative questionnaire attached hereto as Exhibit A and (viii) if applicable, has provided the Internal Revenue Service forms required to be delivered under Section 3.13(a) of the Liquidity Agreement.

4. This Assignment and Acceptance, following its execution and, if necessary, the execution by the Liquidity Agent, will be delivered to the Liquidity Agent, together with a processing and recordation fee payable to the Liquidity Agent of \$3,000, for effectiveness as of the Effective Date (which Effective Date shall, unless otherwise agreed to by the Liquidity Agent, be at least ten Business Days after the execution of this Assignment and Acceptance).

5. From and after the Effective Date, the Liquidity Agent shall make all payments in respect of the Assigned Interest (including payments or principal, interest, fees and other amounts) to the Assignee, whether such amounts have accrued prior to the Effective Date or accrue subsequent to the Effective Date. The Assignor and Assignee shall make all appropriate adjustments in payments for periods prior to the Effective Date by the Liquidity Agent or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (i) the Assignee shall be a party to the Liquidity Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Liquidity Agreement.

7. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused
this Assignment and Acceptance to be executed by their re-
spective duly authorized officers on Schedule I hereto.

Schedule I to Assignment and Acceptance
Respecting the Liquidity Agreement,
dated as of December 31, 1992 among
DEERFIELD FUNDING CORPORATION,
the Banks named herein
and
CREDIT SUISSE, NEW YORK BRANCH,
as Liquidity Agent

Legal Name of Assignor:

Legal Name of Assignee:

Effective Date of Assignment:

Facility Assigned Percentage Assigned (to at least eight decimals) shown as a percentage of the Liquidity Commitment

Bank Commitment

Amount:

\$ _____

Revolving Loans:

\$ _____

Refunding Loans:

\$ _____

ACCEPTED (if required under
Liquidity Agreement):

as Assignor

CREDIT SUISSE,
NEW YORK BRANCH,
as Liquidity Agent

By _____

Name:
Title:

By _____

Name:
Title:

**DEERFIELD FUNDING
CORPORATION**

as Assignee

Name: _____
Title: _____

By _____
Name: _____
Title: _____

EXHIBIT A
to
Assignment And
Acceptance

DEERFIELD FUNDING CORPORATION

ADMINISTRATIVE DETAILS REPLY FORM
Liquidity Agreement dated as of December 31, 1992

1. LENDING OFFICES

Domestic Lending Office

Name of _____
Lending Entity: _____
Address: _____

Telex No.: _____
Fax No.: _____

2. CONTACTS - Credit Matters

Name of Person: _____
Address: _____

Telephone: _____
Telex No.: _____
Telecopier No.: _____

3. CONTACTS - OPERATIONS/ADMINISTRATION

Name of Person: _____
Address: _____

Telephone: _____
Telex No.: _____
Telecopier No.: _____

4. PAYMENT INSTRUCTION:

Pay To: _____
(Name of Bank)
Address: _____

ABA Number: _____
Acct. Number: _____
Acct. Name: _____
Reference: _____

Please forward this completed form to:

Attention:

[Name of Liquidity Bank]
[Address]

Schedule I
to
Liquidity Agreement

NOTICES AND COMMITMENTS

Bank: Credit Suisse, New York Branch

Bank Commitment Amount: One Hundred Million Dollars (\$100,000,000)

Address: 12 East 49th Street
New York, New York 10017

Telefax No.: (212) 238-5332

CONTACTS - Credit Issues: Jodi Driscoll-Bartie

Address: 12 East 49th Street
New York, New York 10017

Telephone: (212) 238-5310

Telefax: (212) 238-5332

CONTACTS - Admin/Oper: Maria Moore/Suzanne Leon/Nick Street

Address: 12 East 49th Street
New York, New York 10017

Telephone: (212) 238-5063/5064/5007

Telefax: (212) 238-5073

PAYMENT INSTRUCTIONS:

Bank Name: Credit Suisse, New York Branch

Bank Address: New York, New York

ABA Number: 0260-0917-9

Acct. Number: 340332-01

Attention: Asset Finance Department

Reference: Federated Department Stores, Inc. and
Deerfield Funding Corporation

Bank: Mellon Bank, N.A.

Bank Commitment Amount: Fifty Million Dollars (\$50,000,000)

Address: One Mellon Bank Center
Pittsburgh, PA 15258

Telephone: (412) 234-2465
Telefax: (412) 236-1914

CONTACTS - Credit issues: Peter Austin

Address: Same as above
Telephone: (412) 234-2465
Telefax: (412) 234-1914

CONTACTS - Admin/Oper: Marge Genter

Address: Three Mellon Bank Center
Pittsburgh, PA 15258

Telephone: (412) 234-3699
Telefax: (412) 234-5049

PAYMENT INSTRUCTIONS:

Bank Name: Mellon Bank N.A.
Bank Address: Three Mellon Bank Center
Pittsburgh, PA

ABA#/Acct#: 0430-0026-1
Acct No.: 990-873-800
Name on Acct. Loan Administration
Attention: Marge Genter
Reference: Deerfield Funding Corporation

Bank: Caisse Nationale de Credit Agricole, Chicago Branch

Bank Commitment Amount: Fifty Million Dollars (\$50,000,000)

Address: 55 East Monroe Street, 47th Floor
Chicago, IL 60603

Telephone: (312) 372-9200 **Telex:** 190063

Telefax: (312) 372-3455 **Answerback:** AGRICO UT

CONTACTS - Credit issues: Kathleen May

Address: Same as above **Telephone:** (312) 917-7444
 Telefax: (312) 372-3455
 Telex: Same as above

CONTACTS - Admin/Oper: PRIMARY: Wilma Persenaire SECONDARY: Eric Berg

Address: Same as above **Telephone:** (312) 917-7424 (Primary)
 (312) 917-7450 (Secondary)
 Telefax: (312) 372-4421
 Telex: Same as above

PAYMENT INSTRUCTIONS:

Bank Name: Morgan Guaranty Trust Co.

Bank Address: New York, NY

ABA No.: 021-000-238

Acct No.: 630-00-205

Name on Acct: Caisse Nationale de Credit
Agricole - Chicago Branch

Bank: National Westminster Bank Plc - New York Branch and Nassau Branch

Bank Commitment Amount: Fifty Million Dollars (\$50,000,000)

Address: 175 Water Street, Level 21
New York, NY 10038

Telephone: (212) 602-4149
Telefax: (212) 602-4118

CONTACTS - Credit issues:

Primary: Todd Kendall, Vice President,
Structured & Specialised Finance

Address: 175 Water Street, Level 26 **Telephone:** (212) 602-4339
New York, NY 10038 **Telefax:** (212) 602-4319

Alternate: Robert Horowitz, Associate, Structured & Specialised Finance

Address: 175 Water Street, Level 26 **Telephone:** (212) 602-4335
New York, NY 10038 **Telefax:** (212) 602-4319

CONTACTS - Admin/Oper: Robert Passarello, Supervisor, New York Branch Commercial Loans Dept.

Address: 175 Water Street, Level 21 **Telephone:** (212) 602-4149
New York, NY **Telefax:** (212) 602-4118

PAYMENT INSTRUCTIONS:

OTHER THAN LIBOR RATE LOANS LIBOR RATE LOANS

| | | |
|----------------------|-------------------------------|-------------------------------|
| Bank Name: | National Westminster Bank Plc | National Westminster Bank Plc |
| | New York Branch | Nassau Branch |
| Bank Address: | 175 Water Street, Level 21 | c/o New York Branch |
| | New York, NY 10038 | 175 Water Street. Level 21 |
| ABA No.: | 0260-0274-9 | New York, NY 10038 |
| Name on Acct: | Prime Funding Corp. Line 1 | 0260-0274-9 |
| Reference: | Type of Payment | Prime Funding Corp. Line 1 |
| | | Type of Payment |

Bank: The Sakura Bank, Limited New York Branch

Bank Commitment Amount: Fifty Million Dollars (\$50,000,000)

Address: 277 Park Avenue
New York, NY 10172-0098

Telephone: (212) 756-6700 **Telex:** 222892

Telefax: (212) 888-7651 **Answerback:** MITKBK NY

CONTACTS - Credit issues: Mr. Masahiro Nakajo

Address: Same as above **Telephone:** (212) 756-6773
 Telefax: (212) 888-7651
 Telex: Same as above

CONTACTS - Admin/Oper: Patricia L. Walsh

Address: Same as above **Telephone:** (212) 756-6788
 Telefax: (212) 888-7651
 Telex: Same as above

PAYMENT INSTRUCTIONS:

Bank Name: Morgan Guaranty Trust Co.
 of New York

Bank Address: 23 Wall Street
 New York, NY 10260

ABA No.: 0210-0023-8

Acct No.: 631-22-624

Name on Acct: The Sakura Bank, Limited
 New York Branch

Bank: Societe Generale, New York Branch

Bank Commitment Amount: Fifty Million Dollars (\$50,000,000)

Address: 181 West Madison Street, Suite 3400
Chicago, IL 60602

Telephone: (312) 578-5000 **Telex:** 190130

Telefax: (312) 587-5099 **Answerback:** SGCHI UT

CONTACTS - Credit issues: Editha Paras

Address: Same as above **Telephone:** (312) 578-5153
 Telefax: Same as above

CONTACTS - Admin/Oper: Donna Benson

Address: Same as above **Telephone:** (312) 578-5112
 Telefax: Same as above

PAYMENT INSTRUCTIONS:

Bank Name: Citibank

Bank Address: New York, New York

ABA No.: 0210-0008-9

Acct No.: 360-089-36

Name on Acct: Societe Generale-Chicago

Further Credit to: A/C #01-54644

Reference: Deerfield Funding Corp.

Bank: The Central Trust Company, N.A.

Bank Commitment Amount: Twenty-Five Million Dollars (\$25,000,000)

Address: 201 East Fifth Street
Cincinnati, OH 45202

Telephone: (513) 651-8946 Telefax: (513) 651-8952

CONTACTS - Credit issues: David C. Melin

Address: Same as above Telephone: (513) 651-8946
Telefax: (513) 651-8952

CONTACTS - Admin/Oper: Debbie Jett

Address: Same as above Telephone: (513) 651-8618
Telefax: (513) 651-7580

PAYMENT INSTRUCTIONS:

Bank Name: The Central Trust Company, N.A.

Bank Address: 201 East Fifth Street
Cincinnati, Ohio 45202

ABA No.: 0420-039-8

Acct No.: 9624066

Name on Acct: Deerfield Funding Corp.

Attention: Loan and Collateral Dept.

Liquidity Agent: Credit Suisse, New York Branch

Address: 12 East 49th Street
New York, New York 10017
Telefax: (212) 238-5332

CONTACTS: Jodi Driscoll-Bartie

Telephone: (212) 238-5310
Telefax: (212) 238-5332

and

Maria Moore/Suzanne Leon/Nick Street

Telephone: (212) 238-5063/5064/5067
Telefax: (212) 238-5073

PAYMENT INSTRUCTIONS:

Bank Name: Credit Suisse, New York Branch

Bank Address: New York, New York

ABA No.: 0260-0917-9

Further Credit To: Credit Suisse, New York Branch

Acct No.: 904996-02

Attention: Loans Department

Reference: Federated Department Stores, Inc. and
Deerfield Funding Corporation

Schedule II

FEDERATED CURRENT ACCOUNTS RECEIVABLE
AGING AND WRITEOFF PROCEDURES

Annex X

DEERFIELD FUNDING CORPORATION CP PROGRAM

DEFINITIONS

As used herein the following terms (i) shall include in the singular number the plural and in the plural number the singular and (ii) to the extent the definitions of such terms incorporate capitalized terms not otherwise defined herein, such capitalized terms shall have the meanings assigned to such capitalized terms in the Pooling and Servicing Agreement:

"Account Collateral" shall have the meaning assigned to such term in Section 1(iii) of the Security Agreement.

"Accrued Interest Component", when used with respect to the Commercial Paper, shall mean, for any period of determination thereof, the Interest Component of all Commercial Paper Outstanding at any time during such period which has accrued from the first day through the last day of such period. For purposes of the immediately preceding sentence, the portion of the Interest Component of any Commercial Paper accrued in a period shall be expressed as a fraction the numerator of which is the number of days elapsed that such Commercial Paper was Outstanding during such period and the denominator of which is the number of days such Commercial Paper was or is scheduled to be Outstanding.

"Advances" shall mean at any time, collectively, the aggregate principal amount of the Liquidity Loans and the Principal Component of the Commercial Paper Outstanding at such time.

"Aggregate CP Matured Value" shall mean, on any date, the sum of the CP Matured Values of all Commercial Paper Outstanding on such date.

"Amortization Period Commencement Date" shall mean with respect to any Series of the Variable Funding Certificates, the day on which the Amortization Period with respect thereto commences.

"Applicable Margin" shall mean (a) with respect to Base Rate Loans (i) on any day on which both (x) an Event of Default is continuing and (y) the Class B Invested Amount is less than 8.75% of the outstanding principal amount of the Series 1992-3 Variable Funding Certificates, 1% and (ii) on any other day, 0%; and (b) with respect to LIBOR Rate Loans (i) on any day on which both (x) an Event of Default is continuing and (y) the Class B Invested Amount is less than 8.75% of the outstanding principal amount of the Series 1992-3 Variable Funding Certificates, 2% and (ii) on any other day, 1%.

"ASCC" shall have the meaning specified in Section 6.01(h) of the Liquidity Agreement.

"Assigned Agreement" shall have the meaning assigned to such term in Section 1(ii) of the Security Agreement.

"Assigned Collateral" shall have the meaning assigned to such term in Section 1(ii) of the Security Agreement.

"Assignee" shall have the meaning assigned to such term in Section 10.05(b) of the Liquidity Agreement.

"Assignment and Acceptance" shall be an assignment and acceptance between a Bank and an Assignee, in the form of Exhibit M to the Liquidity Agreement.

"Authenticating Representatives" shall have the meaning assigned to such term in Section 2 of the Depositary Agreement.

"Authorized Agents" shall have the meaning assigned to such term in Section 2 of the Depositary Agreement.

"Authorized Representatives" shall have the meaning set forth in Section 2 of the Depositary Agreement.

"Available Liquidity Commitment" shall mean the lesser of (i) the Borrowing Base on such date and (ii) the Liquidity Commitment on such date, each as set forth in the Daily Report or Settlement Statement delivered for such date.

"Bank" or "Liquidity Bank" shall have the meaning assigned to the term Bank in the first paragraph of the Liquidity Agreement.

"Bank Commitment Amount" shall mean for each Bank the amount set forth under such Bank's name on Schedule I to the Liquidity Agreement or to the applicable Assignment and Acceptance, as such amount may be reduced or increased pursuant to Sections 3.03(e), 4.01 or 10.05(b), respectively, of the Liquidity Agreement.

"Bank Defaulted Amount" shall have the meaning specified in Section 3.04(c) of the Liquidity Agreement.

"Base Rate Loan" shall mean any Revolving Loan, Refunding Loan or Non Pro-Rata Loan which is bearing interest as provided in Section 3.07(a) of the Liquidity Agreement.

"Bill of Sale and Assignment Agreement" means the Bill of Sale and Assignment Agreement dated as of December 15, 1992 among Federated Credit Corporation, Allied Stores Credit Corporation and the Transferor.

"Borrowing" shall mean the aggregation of Revolving Loans or Refunding Loans to be made by the Banks on a given date pursuant to Section 3.01 of the Liquidity Agreement.

"Borrowing Base" shall mean, on any Business Day, the lesser of (A) the sum of (x) the Class A VFC Invested Amount and (y) any amount on deposit in the Principal Account on such Business Day and (B) the sum of (i) an amount equal to the product of (x) the aggregate amount of Principal Receivables on such day minus the Minimum Transferor Interest minus the Invested Amount of each Series (less any amount on deposit in a principal funding account for any such Series) other than the Variable Funding Certificates minus the Class B VFC Invested Amount and (y) one minus the Default Extension Factor for such Business Day plus (ii) any amounts on deposit in the Excess Funding Account on such Business Day plus (iii) any amounts on deposit in the Principal Account on such Business Day.

"Borrowing Base Deficiency" shall mean on any day, the excess, if any, of Advances over the Borrowing Base.

"Business Day" shall have the meaning set forth in the Pooling and Servicing Agreement provided that in the case of any notice to be given, payment to be made or determination to be made with respect to LIBOR Rate Loans, "Business Day" shall mean a "Business Day" (as defined in the Pooling and Servicing Agreement) which is also a day for dealings by and between banks in U.S. dollar deposits in the London interbank Eurodollar markets.

"Cap Escrow Account" shall mean the account by that name established pursuant to Section 6(f) of the Security Agreement.

"Cap Proceeds Account" shall mean the account by that name established pursuant to Section 6(e) of the Security Agreement.

"Cap Settlement Date" shall have the meaning specified in Section 6(e) of the Security Agreement.

"Carrying Cost Daily Factor" shall mean on any Business Day the Carrying Costs for such Business Day divided by the outstanding Advances for such Business Day.

"Carrying Costs" shall mean, for any Business Day, (i) the sum of the accrued interest since the preceding Business Day on the outstanding principal amount of the Loans (less the amount of investment earnings (net of any losses and investment expenses) since the preceding Business Day, if any, from funds on deposit in the Loan Account and including interest on overdue payments of principal or interest on Loans as provided in the Liquidity Agreement) and the Accrued Interest Component since such preceding Business Day with respect to Commercial Paper Outstanding during such period, minus (ii) the amount of Interest Rate Cap proceeds deposited pursuant to Section 8(a)(i) of the Security Agreement in the Interest Account on such Business Day.

"Cash Equivalent" shall have the meaning set forth in the Pooling and Servicing Agreement.

"Class A Variable Funding Certificate" shall mean the Class A Certificate issued pursuant to the Variable Funding Supplement.

"Class A VFC Invested Amount" shall mean the Invested Amount of the Class A Variable Funding Certificate issued pursuant to the Variable Funding Supplement.

"Class B Variable Funding Certificate" shall mean the Class B Certificate issued pursuant to the Variable Funding Supplement.

"Class B VFC Invested Amount" shall mean the Invested Amount of the Class B Variable Funding Certificate issued pursuant to the Variable Funding Supplement.

"Collateral" shall have the meaning specified in Section 1 of the Security Agreement.

"Collateral Account" shall have the meaning assigned to such term in Section 6(a) of the Security Agreement.

"Collateral Agent" shall mean Chemical Bank and any successor Collateral Agent appointed pursuant to the Security Agreement as agent for the benefit of the Secured Parties.

"Commercial Paper" or "Commercial Paper Notes" shall mean the commercial paper notes of the CP Issuer which are secured by the Class A Variable Funding Certificate.

"Commercial Paper Account" shall mean the Commercial Paper Account established pursuant to the Depositary Agreement.

"Commercial Paper Deficit" shall have the meaning assigned to such term in Section 3.03(a) of the Liquidity Agreement.

"Commercial Paper Percentage" shall mean the ratio, expressed as a percentage, of the Principal Component of outstanding Commercial Paper to the aggregate amount of Advances.

"Commitment" shall mean so long as there is any Liquidity Commitment in effect or any Loans are outstanding, as to any Bank, the obligation of such Bank to make Loans under the Liquidity Agreement in an amount not to exceed at any time outstanding the Bank Commitment Amount of such Bank.

"Controlling Party" shall mean the Liquidity Agent acting at the direction of the Required Banks and after the Liquidity Commitment has been reduced to zero and there are no Loans outstanding, the holders of 51% of the Commercial Paper then Outstanding and if there is no Commercial Paper Outstanding, the Depositary.

"CP Dealers" shall mean Goldman Sachs Money Markets, L.P. and Shearson Lehman Brothers Inc. as dealers for the Commercial Paper or any successor dealer or dealers for the Commercial Paper appointed by the CP Issuer and reasonably acceptable to the Liquidity Agent.

"CP Dealer Agreements" shall mean the CP Dealer Agreements, dated as of December 31, 1992, among the CP Issuer, Federated, and the respective CP Dealers, as amended from time to time.

"CP Issuer" shall mean Deerfield Funding Corporation, or any other Holder of the Class A Variable Funding Certificate.

"CP Issuer Operating Account" shall mean the account of the CP Issuer initially held at Chemical Bank, Account No. 323-047-394, or such other bank and account number as the CP Issuer may designate by written notice to the Depositary and the Collateral Agent.

"CP Matured Value" shall mean the face amount of any Outstanding Commercial Paper Note.

"CP Settlement Statement" shall mean the report substantially in the form of Exhibit A to the Security Agreement.

"Credit Utilization" shall have the meaning assigned to such term in Section 6.02 of the Liquidity Agreement.

"Daily Report" shall mean a report showing the date and making the computations included in the form of the Daily Report attached as Exhibit E to the Pooling and Servicing Agreement.

"Default" shall mean any of the events specified in Section 8.01 of the Liquidity Agreement, whether or not any requirement for the giving of notice, the

lapse of time, or both, or any other condition, has been satisfied.

"Default Extension Factor" shall mean, zero for so long as no Originator has extended the length of time before Receivables in Accounts are charged off beyond such lengths of time set forth in the Credit and Collection Policy in effect as of the Closing Date and pursuant to Schedule II of the Liquidity Agreement and, as of any Business Day thereafter while such change is in effect, the percentage equivalent of an amount equal to (x) the sum for all billing cycles during the preceding Monthly Period of the principal balance of Receivables in Accounts with respect to which any payment, as of the last day of its billing cycle, was 210 days or more past due (or in the case of certain major purchase plan accounts, any payment was 240 days or more past due) divided by the sum for all billing cycles during the preceding Monthly Period of the aggregate principal balance of all Receivables in such billing cycle as of such date.

"Deposit" shall have the meaning specified in Section 3.03(g) of the Liquidity Agreement.

"Depository" shall mean Chemical Bank and any successor Depository appointed pursuant to the terms of the Depository Agreement.

"Depository Agreement" shall mean the Depository Agreement, dated as of December 31, 1992, among the CP Issuer, the Depository, the Collateral Agent, Federated and the Liquidity Agent, as amended from time to time.

"Depository Authorization Letter" shall have the meaning assigned to such term in Section 2 of the Depository Agreement.

"Deposited Funds" shall mean all funds then on deposit in the Collateral Account (including Cash Equivalents investments thereof) as provided in the Security Agreement.

"Designated Person" shall have the meaning assigned to such term in Section 2 of the Depository Agreement.

"Distribution Date" shall have the meaning set forth in the Pooling and Servicing Agreement.

"Domestic Lending Office" shall mean, initially, the office of a Bank designated as such in Schedule I to the Liquidity Agreement; thereafter, such other office of such Bank, if any, which shall be making Base Rate Loans.

"Event of Default" shall mean any of the events specified in Section 8.01 of the Liquidity Agreement, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Excess Cap Proceeds" shall mean with respect to any Cap Settlement Date, the excess of the amount deposited in the Cap Proceeds Account on the preceding Cap Settlement Date over the portion of such amount deposited in the Interest Account pursuant to Section 8(a)(i)(A) prior to the current Cap Settlement Date.

"Exiting Bank" shall have the meaning specified in Section 4.02(c) of the Liquidity Agreement.

"Expiration Date" with respect to a Bank shall mean January 3, 1994 or, if such Bank's Percentage of the Liquidity Commitment is extended pursuant to Section 4.02(a) of the Liquidity Agreement, 364 days after the effective date of such election to extend such Bank's Percentage of the Liquidity Commitment.

"Extension Period" shall have the meaning set forth in Section 4.02(a) of the Liquidity Agreement.

"Facilities Cost Account" shall mean the account by that name established pursuant to Section 6(a) of the Security Agreement.

"Facilities Costs" shall mean the amounts payable with respect to increased costs and other expenses, the Monthly Collateral Agent Fee, any applicable Rating Agency Fees, the Monthly Depository Fee, interest on overdue amounts (excluding any such interest included in Carrying Costs) and any indemnity payments to the Collateral Agent, the Depository, the CP Dealers, the Liquidity Agent and the Liquidity Banks under the Facilities Documents.

"Facilities Documents" shall mean the Liquidity Agreement, the Loan Notes, the Pooling and Servicing

Agreement, the Variable Funding Supplement, the Fee Letter, the Interest Rate Caps, the Depositary Agreement, the CP Dealer Agreements and the Security Agreement.

"FCC" shall have the meaning specified in Section 6.01(h) of the Liquidity Agreement.

"Federal Funds Rate" shall mean, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day for such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by it.

"Federated" shall mean Federated Department Stores, Inc., a Delaware corporation or its successor.

"Fee Letter" shall have the meaning specified in Section 3.17 of the Liquidity Agreement.

"Fiscal Year" shall mean each fiscal year of the CP Issuer.

"Fixed Period" shall have the meaning specified in Section 3.09 of the Liquidity Agreement.

"Initial Date" shall have the meaning specified in Section 3.13 of the Liquidity Agreement.

"Interest Account" shall mean the account by that name established pursuant to Section 6(a) of the Security Agreement.

"Interest Component" shall mean when used with respect to Commercial Paper the excess of the CP Matured Value issued on a discount basis over the purchase price with respect thereto.

"Interest Rate Caps" shall mean the interest rate caps provided by (i) Morgan Guaranty Trust Company of New York ("Morgan") pursuant to the Interest Rate Cap Transactions dated as of December 9, 1991, December 16,

1991, and December 19, 1991, between Federated Credit Corporation ("FCC") and Morgan and assigned to the CP Issuer pursuant to the Assignment and Assumption Agreement dated as of December 16, 1992, among FCC, the CP Issuer and Morgan, (ii) National Westminster Bank PLC ("NatWest") pursuant to the Agreement dated as of December 18, 1992, between NatWest and the CP Issuer, and any additional interest rate caps issued to the CP Issuer in accordance with the terms of the Liquidity Agreement for the benefit of the CP Issuer.

"Issuance Date" shall have the meaning specified in the Series 1992-3 Variable Funding Supplement.

"LIBOR Rate" shall mean, with respect to any Fixed Period applicable to LIBOR Rate Loans, the rate obtained by dividing (x) the arithmetic average (rounded to the nearest 1/100 of 1%) of the rates at which deposits in dollars are offered to the Reference Banks in the interbank Eurodollar market at approximately 11:00 a.m. (New York City time) two Business Days before the first day of such Fixed Period in an amount approximately equal to the principal amount of the LIBOR Rate Loan of each such Reference Bank (in its capacity as a Bank) to which such Fixed Period is to apply and for a period of time equal to such Fixed Period by (y) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves required to be maintained against "Eurocurrency Liabilities" as specified in Regulation D (or against any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). If any Reference Bank fails to provide its offered quotation to the Liquidity Agent, the LIBOR Rate shall be determined on the basis of the quotations of the other Reference Bank(s).

"LIBOR Rate Loan" shall mean any Revolving Loan, Refunding Loan or Non Pro Rata Loan which is bearing interest as provided in Section 3.07(b) of the Liquidity Agreement.

"Liquidity Agent" shall mean Credit Suisse, New York Branch, and any successor Liquidity Agent appointed pursuant to the Liquidity Agreement.

"Liquidity Agreement" shall mean the Liquidity Agreement, dated as of December 31, 1992, among the CP Issuer, Federated, the financial institutions named therein and the Liquidity Agent, as amended from time to time.

"Liquidity Bank Base Rate" shall mean, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced by the Liquidity Agent in New York, New York, from time to time as the Liquidity Agent's base rate; and

(b) 1/2 of 1% per annum above the Federal Funds Rate.

The Liquidity Bank Base Rate is not intended to represent the lowest interest rate charged by the Liquidity Agent for extensions of credit.

"Liquidity Commitment" shall mean the obligation of the Banks to make Loans in an aggregate principal amount at any one time outstanding not to exceed the aggregate of the Bank Commitment Amounts of all Banks, initially \$375,000,000 as such amount may be adjusted from time to time pursuant to the Liquidity Agreement.

"Liquidity Fee" shall mean the fees payable to the Liquidity Banks or the Liquidity Agent pursuant to Section 3.17 of the Liquidity Agreement.

"Liquidity Fee Collateral Account" shall mean the account by that name established pursuant to Section 6(d) of the Security Agreement.

"Liquidity Loans" shall mean, collectively, the Revolving Loans and Refunding Loans.

"Liquidity Loan Percentage" shall mean the ratio, expressed as a percentage, of the outstanding principal amount of the Liquidity Loans to the aggregate amount of Advances.

"Loan Account" shall have the meaning specified in Section 3.03(g) of the Liquidity Agreement.

"Loan Documents" shall mean the Liquidity Agreement, the Security Agreement, the Fee Letter and the Loan Notes.

"Loan Notes" shall mean all the Revolving Loan Notes, the Non Pro Rata Loan Notes and the Refunding Loan Notes.

"Loans" shall mean the Revolving Loans, the Non Pro Rata Loans and the Refunding Loans.

"Margin Stock" shall have the meaning provided such term in Regulation U of the Board of Governors of the Federal Reserve System of the United States or any successor thereto.

"Matured Default" shall have the meaning specified in Section 8.01 of the Liquidity Agreement.

"Minimum Transferor Percentage" shall have the meaning specified in the Pooling and Servicing Agreement.

"Miscellaneous Fee Collateral Account" shall mean the account by that name established pursuant to Section 6(g) of the Security Agreement.

"Monthly Collateral Agent Fee" shall mean the monthly installment of the fee of the Collateral Agent, payable on the Distribution Date immediately following the end of each month pursuant to the letter agreement between the CP Issuer and the Collateral Agent dated as of December 31, 1992, as in effect on the date of the Liquidity Agreement.

"Monthly Depositary Fee" shall mean the monthly installment of the fee of the Depositary, payable on the Payment Date immediately following the end of each month pursuant to the letter agreement between the CP Issuer and the Depositary dated as of December 31, 1992, as in effect on the date of the Liquidity Agreement.

"Monthly Period" shall have the meaning specified in the Pooling and Servicing Agreement.

"Moody's" shall mean Moody's Investors Service, Inc. or its successor.

"Net Principal Collections" shall have the meaning specified in the Variable Funding Supplement.

"New Bank" shall have the meaning assigned to such term in Section 4.01(d) of the Liquidity Agreement.

"Non-Extending Bank" shall have the meaning specified in Section 2.01(k) of the Liquidity Agreement.

"Non Pro Rata Loan" shall have the meaning assigned to such term in Section 3.03(e) of the Liquidity Agreement.

"Non Pro Rata Loan Note" shall mean a promissory note of the CP Issuer, substantially in the form of Exhibit C to the Liquidity Agreement, evidencing Non Pro Rata Loans.

"Notice of Borrowing" shall mean a Notice of Refunding Borrowing, a Notice of Non Pro Rata Borrowing or a Notice of Revolving Borrowing.

"Notice of Non Pro Rata Borrowing" shall have the meaning specified in Section 3.03(e) of the Liquidity Agreement.

"Notice of Refunding Borrowing" shall have the meaning specified in Section 3.03 of the Liquidity Agreement.

"Notice of Revolving Borrowing" shall have the meaning specified in Section 3.02 of the Liquidity Agreement.

"Notice Office" shall mean the office of the Liquidity Agent or a Liquidity Bank specified in or referred to in Section 10.06 of the Liquidity Agreement, or such other office as such Liquidity Bank may designate in writing to the CP Issuer, the Depositary and the Liquidity Agent as the Notice Office.

"Other Taxes" shall have the meaning specified in Section 3.13(b) of the Liquidity Agreement.

"Outstanding" shall mean, with respect to the Commercial Paper Notes, all Commercial Paper Notes issued and authenticated pursuant to the Depositary Agreement, other than those Commercial Paper Notes that have been

paid in full, or for the payment of which funds equal to the CP Matured Value are available and are on deposit in the Commercial Paper Account.

"Payment Office" shall mean the office of the Liquidity Agent as specified in Section 10.06 of the Liquidity Agreement or such other office as the Liquidity Agent may designate in writing to the CP Issuer, the Depositary, the Collateral Agent, and the Liquidity Banks.

"Percentage" shall mean, at any time, in the case of a Bank, a fraction, expressed as a percentage, the numerator of which is the Bank Commitment Amount of such Bank in effect at such time (or, if such Bank Commitment Amount has been reduced to zero pursuant to the last sentence of Section 4.01(b) of the Liquidity Agreement, the aggregate principal amount of Loans made by such Bank at the time outstanding) and the denominator of which is the Liquidity Commitment in effect at such time (plus the aggregate principal amount of Loans made by all Banks whose Bank Commitment Amounts have been so reduced to zero outstanding at such time). The parenthetical phrases in the above definition shall be applicable only in the determination of "Percentage" for the purposes of the definition of "Required Banks."

"Permitted Lien" shall mean: (i) Liens in favor of the Collateral Agent created pursuant to the Security Agreement; and (ii) Liens which are in all respects junior under the applicable UCC to the Liens created by the Security Agreement and which secure the payment of taxes, assessments and governmental charges or levies, and which are either (a) not delinquent or (b) being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves in accordance with GAAP shall have been established, but only so long as such proceedings could not subject the CP Issuer, any Liquidity Banks or the Collateral Agent to any civil or criminal penalty or liability or involve any risk of the loss, sale or forfeiture of any of the Collateral.

"Pooling and Servicing Agreement" shall mean the Pooling and Servicing Agreement dated as of December 15, 1992 among Prime Receivables Corporation, as Transferor, Federated, as Servicer, and Chemical Bank, as Trustee, together with all supplements and amendments thereto.

"Principal Account" shall mean the account by that name established pursuant to Section 6(a) of the Security Agreement.

"Principal Collections" shall have the meaning specified in the Pooling and Servicing Agreement.

"Principal Component" shall mean when used with respect to Commercial Paper issued on a discount basis the excess of the CP Matured Value over the Interest Component thereof.

"Proprietary Information" shall have the meaning assigned to such term in Section 10.14(b) of the Liquidity Agreement.

"Rating Agency Fees" shall mean the periodic fees of each Rating Agency.

"Reduced Commitment Amount" shall have the meaning assigned to such term in Section 2.01(b) of the Liquidity Agreement.

"Reference Banks" shall mean Credit Suisse, National Westminster Bank Plc and Mellon Bank, N.A.

"Refunding Borrowing" shall have the meaning specified in Section 3.03(b) of the Liquidity Agreement.

"Refunding Loan" shall mean a loan made by a Bank pursuant to Section 3.03(a) of the Liquidity Agreement.

"Refunding Loan Note" shall mean a promissory note of the CP Issuer, substantially in the form of Exhibit B to the Liquidity Agreement, evidencing Refunding Loans.

"Revolving Loan Note" shall mean a promissory note of the CP Issuer, substantially in the form of Exhibit A to the Liquidity Agreement, evidencing Revolving Loans.

"Related Security" shall mean with respect to any Receivable, all of the right, title and interest of the Originator, under the Receivables Purchase Agreement, and of the Transferor, under the Pooling and Servicing Agreement, in the merchandise (including returned mer-

chandise), if any, relating to the sale which gave rise to such Receivable and all other Liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the contract related to such Receivable or otherwise.

"Required Banks" shall mean Banks whose Percentages are, in the aggregate, more than 50%.

"Requisite Commitment Level" shall mean, as of any date, an amount equal to the sum of the Aggregate CP Matured Value and the aggregate principal amount of all outstanding Revolving Loans and Refunding Loans (such sum to be rounded upward to the nearest multiple of \$1,000,000).

"Responsible Officer" shall mean any officer within the Corporate Trust Office (or any successor group of the Trustee, the Depositary or the Collateral Agent, as the context requires), including any Vice President or any other officer of the Trustee, the Depositary or the Collateral Agent, as the context requires customarily performing functions similar to those performed by any person who at the time shall be an above-designated officer and who shall have direct responsibility for the administration of any of the Facilities Documents.

"Revolving Borrowing" shall have the meaning specified in Section 3.02 of the Liquidity Agreement.

"Revolving Loan" shall mean a loan made by a Bank pursuant to Section 3.02 of the Liquidity Agreement.

"Scheduled Maturity Date" shall mean the Distribution Date occurring 36 months after the Distribution Date immediately following the Amortization Period Commencement Date with respect to the Variable Funding Certificates.

"Secured Parties" shall have the meaning specified in the Security Agreement.

"Security Agreement" shall mean the Pledge and Security Agreement, dated as of December 31, 1992 among the CP Issuer, Federated, the Depositary, the Liquidity Agent and the Collateral Agent, as amended from time to time.

"Servicer" shall mean Federated or any successor Servicer appointed pursuant to the terms of the Pooling and Servicing Agreement.

"Specified Default" shall have the meaning specified in Section 8.01 of the Liquidity Agreement.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Corporation or its successor.

"Supplemental Payments" shall mean, with respect to the Class A Certificates, an amount equal to the sum of any expense or liability of the CP Issuer payable pursuant to Section 7(a) sixth or eighth of the Security Agreement.

"Taxes" shall have the meaning assigned to such term in Section 3.13 of the Liquidity Agreement.

"Termination Notice" shall have the meaning set forth in Section 2.01 of the Liquidity Agreement.

"Transferor Operating Account" shall mean the account of the Transferor initially held at Chemical Bank, Account No. 323033636, or such other bank and account number as the Transferor may designate by notice to the Trustee, the Depository and the Collateral Agent.

"Type" shall mean, as to any Loan, its nature as a Base Rate Loan or a LIBOR Rate Loan.

"Variable Funding Supplement" or "Supplement" means the Series 1992-3 Variable Funding Supplement dated as of December 31, 1992 to the Pooling and Servicing Agreement.

EXHIBIT 10.17

PLEDGE AND SECURITY AGREEMENT

Dated as of December 31, 1992,

Among

DEERFIELD FUNDING CORPORATION
FEDERATED DEPARTMENT STORES, INC.

CHEMICAL BANK,
as the Depositary and the Collateral Agent

and

CREDIT SUISSE, NEW YORK BRANCH
as Liquidity Agent

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT dated as of December 31, 1992, among DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer"), FEDERATED DEPARTMENT STORES, INC., a Delaware corporation, CHEMICAL BANK, a New York banking corporation, as depositary (the "Depositary") on behalf of the holders of Commercial Paper (as defined in the Depositary Agreement), CREDIT SUISSE, NEW YORK BRANCH, a bank organized under the laws of Switzerland and acting through its New York Branch, as liquidity agent (the "Liquidity Agent"), and CHEMICAL BANK, as collateral agent (the "Collateral Agent").

PRELIMINARY STATEMENTS:

1. Several affiliates of Federated Department Stores, Inc. (the "Originators") and Prime Receivables Corporation, a Delaware corporation, in its capacity as purchaser (the "Purchaser"), have entered into a Receivables Purchase Agreement (as such agreement may hereafter be amended or otherwise modified from time to time, being the "Receivables Purchase Agreement") dated as of December 15, 1992 pursuant to which the Originators will continuously sell to the Purchaser all Receivables (as defined in the Receivables Purchase Agreement) now existing and hereafter created, and Federated Credit Corporation and Allied Stores Credit Corporation have each entered into a Bill of Sale and Assignment Agreement with the Purchaser dated as of December 15, 1992 relating to the initial sale of the Receivables to the Purchaser.
2. Prime Receivables Corporation, in its capacity as transferor (the "Transferor"), Federated Department Stores, Inc., in its capacity as servicer (the "Servicer"), and Chemical Bank, a New York banking corporation, as trustee (in such capacity, the "Trustee"), have entered into a Pooling and Servicing Agreement dated as of December 15, 1992, as supplemented by a Series 1992-3 Variable Funding Supplement dated as of the date hereof (as such agreement and supplement may hereafter be amended or otherwise modified from time to time, being the "Pooling and Servicing Agreement"), pursuant to which the Transferor has established a master trust (the "Trust") by conveying Receivables purchased from the Originators, Federated Credit Corporation and Allied Stores Credit

Corporation to the Trustee for the benefit of the holders of the certificates issued by the Trust.

3. The CP Issuer has entered into a Commercial Paper Dealer Agreement with each of Goldman Sachs Money Markets, L.P. and Shearson Lehman Brothers Inc. (the "CP Dealers") (as such agreements may hereafter be amended or otherwise modified from time to time, being the "CP Dealer Agreements") each dated as of the date hereof, pursuant to which the Commercial Paper will be issued by the CP Issuer.

4. The CP Issuer, Federated and the Depositary have entered into a Depositary Agreement (as such agreement may hereafter be amended or otherwise modified from time to time, being the "Depositary Agreement") dated as of the date hereof, pursuant to which the Commercial Paper will be authenticated and delivered and payments under the Commercial Paper will be made.

5. The CP Issuer has entered into a Liquidity Agreement (as such agreement may hereafter be amended or otherwise modified from time to time, being the "Liquidity Agreement") dated as of the date hereof, with Federated, the banks and other financial institutions from time to time parties thereto (the "Liquidity Banks") and the Liquidity Agent, as agent for the Liquidity Banks.

References herein to the "Amortization Period Commencement Date" and "Pay Out Event" shall refer to the Class A Variable Funding Certificate. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in Annex X to the Liquidity Agreement or the Pooling and Servicing Agreement, as applicable.

NOW, THEREFORE, in consideration of the premises and in order to induce (a) the Liquidity Banks and the Liquidity Agent to execute the Liquidity Agreement, (b) the Liquidity Banks to make Loans under the Liquidity Agreement and (c) the Depositary to execute the Depositary Agreement, the CP Issuer hereby agrees with the following secured parties: the Collateral Agent for its benefit and the benefit of the Liquidity Agent and the Liquidity Banks, the Liquidity Agent for its benefit and the benefit of the Liquidity Banks, and the Depositary,

for its benefit and the benefit of the holders from time to time of Commercial Paper (collectively, the "Secured Parties") (provided that the Liquidity Fee Collateral Account and the Account Collateral with respect thereto shall be held by the Collateral Agent solely for the benefit of the Liquidity Agent and the Liquidity Banks) as follows:

SECTION 1. Grant of Security. The CP Issuer hereby assigns and pledges to the Collateral Agent for its benefit and for the benefit of the Secured Parties and grants to the Collateral Agent for its benefit and for the benefit of the Secured Parties a security interest in its right, title and interest in and to the following, whether now owned or hereafter acquired (collectively, the "Collateral"):

(i) The Class A Variable Fund-ing Certificate issued pursuant to Section 6.01 of the Pooling and Servicing Agreement;

(ii) The Pooling and Servicing Agreement, as the same may be amended, supple-mented or otherwise modified from time to time (as so amended, supplemented or modified, the "Assigned Agreement"), including, without limi-tation, (A) all rights of the CP Issuer to receive moneys due and to become due under or pursuant to the Assigned Agreement, (B) all rights of the CP Issuer to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreement, (C) claims of the CP Issuer for damages arising out of or for breach of or default under the As-signed Agreement, (D) all other rights of the CP Issuer in and to the proceeds of other Re-lated Security and (E) the right of the CP Issuer to amend, waive, terminate, grant con-sents under or give directions under the As-signed Agreement, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder (the Collateral described in this paragraph (ii) of Section 1 being some-times described herein as the "Assigned Collat-eral");

(iii) All of the following (collectively, the "Account Collateral"):

(A) The Collateral Account, the Cap Proceeds Account, the Cap Escrow Account, the Miscellaneous Fee Collateral Account and the Liquidity Fee Collateral Account (each as hereinafter defined) and any subaccount thereof, all funds held therein, and all certificates and instruments, if any, from time to time representing or evidencing any such account or subaccount;

(B) All investments of funds on deposit in any such account or subaccount ("Investments") from time to time and all certificates and instruments, if any, from time to time representing or evidencing the Investments;

(C) All notes, certificates of deposit and other instruments from time to time hereafter delivered to or otherwise possessed by the Collateral Agent for and on behalf of the CP Issuer or any Secured Party in substitution for or in addition to any of the then existing Account Collateral;

(D) All interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any and all of the then existing Account Collateral; and

(E) All additional property that may from time to time hereafter be assigned or pledged to the Collateral Agent for the benefit of the Secured Parties or of the Liquidity Agent and the Liquidity Banks, as the case may be, by the CP Issuer or by any Person on the CP Issuer's behalf;

(iv) The Interest Rate Caps;
and

(v) All proceeds of any and all of the collateral described in subparagraphs (i) through (iv) above (including, without limitation, proceeds that constitute property of the types described in clauses (i) through (iv) above, but excluding investment earnings (net of losses and investment expenses) on amounts on deposit in the Liquidity Fee Collateral Account and the Miscellaneous Fee Collateral Account which shall not be Collateral pledged hereunder) and, to the extent not otherwise included, all payments under insurance (whether or not the Collateral Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of such foregoing collateral.

SECTION 2. Obligations Secured Hereby. This Agreement is made to provide for and secures the payment or repayment, as the case may be, of all obligations of the CP Issuer, now or hereafter existing, under the Liquidity Agreement and the Loan Notes (collectively, the "Loan Documents") and the Depositary Agreement and the Commercial Paper, whether for principal, interest, fees, expenses, indemnities or otherwise, and all obligations of the CP Issuer now or hereafter existing under this Agreement (collectively, the "Loan Obligations").

SECTION 3. Delivery of Collateral. Concurrently with the issuance thereof, the CP Issuer shall deliver to the Collateral Agent the Class A Variable Funding Certificate, together with an instrument of transfer duly executed in blank, to be held pursuant to the terms of this Agreement. All certificates or instruments, if any, representing or evidencing the Collateral shall be promptly delivered to and held by or on behalf of the Collateral Agent pursuant hereto and shall be registered in the name of the Collateral Agent or its nominee as pledgee or in suitable form for transfer by delivery, or shall be accompanied by instruments of transfer or assignment duly executed in blank. The Collateral Agent shall have the right, at any time after a Matured Default, in its discretion and without notice to the CP Issuer (which notice is hereby irrevocably waived), to transfer to or to register the Collateral in the name of the Collateral Agent or any of its nominees. In addition, the Collateral Agent shall have the right at

any time to exchange certificates or instruments representing or evidencing the Collateral for certificates or instruments of smaller or larger denominations.

At all times while this Agreement remains in effect, both prior to and after the occurrence of an Event of Default, the CP Issuer hereby agrees that the Collateral Agent, acting solely at the written direction of the Controlling Party, shall have the exclusive right to exercise all voting and other consensual rights (including without limitation the right to grant or withhold the grant of consents and approvals, to give or decline to give directions and to act as a Certificateholder at any meeting of Certificateholders) for all purposes under the Pooling and Servicing Agreement, and for such purpose the Collateral Agent is hereby irrevocably appointed the proxy and attorney-in-fact of the CP Issuer, coupled with an interest and with full power of substitution, to act in the name and on behalf of the CP Issuer in each and all such matters; provided that, except as provided in the following sentence, neither the Collateral Agent nor the Controlling Party shall have any duty to exercise or to refrain from exercising any of the aforesaid rights or privileges and neither the Collateral Agent nor the Controlling Party nor any Secured Parties shall be responsible for any failure to do so or delay in so doing. The Collateral Agent hereby agrees that it shall exercise or refrain from exercising the rights and privileges granted to it in this paragraph solely in accordance with written instructions from time to time given by the Controlling Party.

SECTION 4. Structure of Bank Accounts.

(a) Except for the repayment of maturing Commercial Paper with the net proceeds of new issuances of Commercial Paper, the acquisition, prior to the Amortization Period Commencement Date, of additional undivided interests in the Trust in an amount or amounts equal to the VFC Additional Class A Invested Amount with the proceeds of new issuances of Commercial Paper or Revolving Loans, the repayment of Liquidity Loans with proceeds from the issuance of Commercial Paper and the repayment of Commercial Paper with Refunding Loans, the CP Issuer hereby represents, warrants, covenants and agrees that, subject to Section 1(a) of the Depositary Agreement, the net proceeds received by it from time to time from Liquidity Loans and Commercial Paper will be deposited by it directly into the Collateral Account and that the net pro-

ceeds received by it from time to time from Non Pro Rata Loans will be deposited by it directly into and maintained in the Loan Account established by the Collateral Agent under the Liquidity Agreement in appropriate subaccounts for each depositing Liquidity Bank. The Collateral Agent agrees to establish and maintain the Loan Account as provided in Section 3.03(g) of the Liquidity Agreement.

(b) The CP Issuer agrees that it shall not make or maintain any deposits in any bank account, deposit account or trust account with any financial institution other than the Collateral Account, the CP Issuer Operating Account, the Liquidity Fee Collateral Account, the Cap Escrow Account or the Cap Proceeds Account as provided for by this Agreement. The CP Issuer hereby represents, warrants, covenants and agrees that it has and shall have no bank accounts, deposit accounts or trust accounts other than the Collateral Account, the CP Issuer Operating Account, the Liquidity Fee Collateral Account, the Miscellaneous Fee Collateral Account, the Cap Escrow Account and the Cap Proceeds Account. The CP Issuer hereby covenants and agrees that no new Collateral Account will be established unless and until the CP Issuer has received the prior written consent of the Required Banks to the establishment of such account, a copy of which shall be delivered by the Controlling Party to the Collateral Agent.

SECTION 5. Reconciliation of Borrowing Base. Pursuant to Sections 3.04(b) and (c) of the Pooling and Servicing Agreement, on each Business Day the Servicer will prepare a Daily Report and deliver a copy of such report to the CP Issuer. Pursuant to the Pooling and Servicing Agreement, the Servicer is required to deliver a copy of such Daily Report, which shall include the Borrowing Base, to the Trustee and, if the Depositary and Collateral Agent is not the Trustee, to such Depositary and Collateral Agent, not later than 2:30 p.m. (New York City time) on the day such report is generated. The Borrowing Base shall be computed by the Servicer on each Business Day and reflected in the Daily Report as of such day. At the request of the Liquidity Agent, a copy of each Daily Report shall be furnished by the Servicer to the Liquidity Agent.

SECTION 6. The Collateral Account, the Liquidity Fee Collateral Account, the Cap Proceeds Account, the Cap Escrow Account and the Miscellaneous Fee Collateral Account. (a) The CP Issuer has established with the trust department of the Collateral Agent at its office in New York, New York, in the name of the Collateral Agent on behalf of the Secured Parties, certain segregated non-interest bearing trust accounts having account numbers C1-97958, C1-97960 and C1-97959) (such accounts being collectively referred to as the "Collateral Account"), consisting of the Facilities Cost Account, the Interest Account and the Principal Account, respectively. Amounts on deposit in the Interest Account and the Principal Account shall be used solely to pay interest and principal on Liquidity Loans, to pay interest on Non Pro Rata Loans, to pay interest and principal on Commercial Paper and, solely with respect to the Principal Account, prior to the Amortization Period Commencement Date, to purchase additional undivided interests in the Trust in an amount equal to the VFC Additional Class A Invested Amount. Amounts on deposit in the Facilities Cost Account shall be used solely to make payments pursuant to Section 7(a) hereof. The CP Issuer hereby transfers to the Collateral Agent, and the Collateral Agent hereby accepts, the sole and exclusive dominion over and control of the Collateral Account and all proceeds of the Collateral, Advances, moneys, instruments and other property from time to time deposited therein.

(b) The CP Issuer shall deposit or cause to be deposited, at the end of each Business Day, in same day funds, all available funds in respect of the Collateral and all proceeds of the Collateral received on such day to the Collateral Account.

(c) Funds in the Collateral Account shall be invested by the Collateral Agent, at the written direction of the CP Issuer, or, if an Event of Default has occurred and is continuing, the Liquidity Agent (if it so elects), in Cash Equivalents with maturities not later than the next succeeding Business Day. Cash Equivalents shall be maintained in the name of the Collateral Agent or its nominee (and, in either case, its books and records shall include the notation that such Cash Equivalents are maintained pursuant to this Agreement) and, if certificated, the Collateral Agent shall maintain possession of the certificates. Any direction of the CP Issuer or the Liquidity Agent to the Collateral Agent to make an

investment shall be made in writing and shall certify that the requested investment qualifies as a Cash Equivalent for purposes of this Agreement and that such investment matures at or prior to the time required hereby. Any earnings (net of losses and investment expenses) on such invested funds in the Collateral Account will be retained in the subaccount of the Collateral Account from which the funds used to purchase such Cash Equivalents were obtained, subject to application pursuant to Sections 7 and 8 hereof, and earnings may be invested and reinvested by the Collateral Agent, at the written direction of the CP Issuer or, if an Event of Default has occurred and is continuing, the Liquidity Agent (if it so elects), in Cash Equivalents. Interest and proceeds which are not invested or reinvested in specified Cash Equivalents as provided above shall be deposited and held in the Collateral Account and applied in the same manner and priority as the proceeds of the Collateral. Any amounts or earnings deposited into the Collateral Account which are not to be applied pursuant to Sections 7 and 8 hereof on such Business Day shall be invested by the Collateral Agent, at the written direction of the CP Issuer or, if an Event of Default has occurred and is continuing, the Liquidity Agent (if it so elects), in specified Cash Equivalents. The Collateral Agent shall not be liable for any loss or expense incurred in connection with any investment made pursuant to this Section 6(c).

(d) The CP Issuer has established with the trust department of the Collateral Agent at its office in New York, New York, in the name of the Liquidity Agent and solely for the benefit of the Liquidity Agent and the Liquidity Banks, a certain segregated non-interest bearing trust account (account number C1-98025) (the "Liquidity Fee Collateral Account"). The CP Issuer shall deposit in the Liquidity Fee Collateral Account the amounts specified in Section 7.27 of the Liquidity Agreement provided that on or after the date of any decrease in the Liquidity Commitment, the Liquidity Agent agrees, upon the request of the CP Issuer, to direct the withdrawal from the Liquidity Fee Collateral Account of an amount equal to the product of (i) the liquidity fee rate specified in the Fee Letter, (ii) such decrease in the amount of the Liquidity Commitment and (iii) a fraction, the numerator of which is the number of days remaining to the next anniversary of the Issuance Date and the denominator of which is 360. Funds in the Liquidity Fee Col-

lateral Account shall be invested at the direction of the CP Issuer in Cash Equivalents with maturities not later than the respective days required for the possible application of such funds for payment of the Liquidity Fee as required under Section 3.17 of the Liquidity Agreement if sufficient funds are not otherwise available to pay the Liquidity Fee. Any earnings (net of losses and investment expenses) on such invested funds shall be paid to the CP Issuer on the CP Issuer's request. Any direction of the CP Issuer to make an investment shall be made in writing and shall certify that such investment complies with the requirements set forth in this Section 6(d). The Collateral Agent shall not be liable for any loss or expense incurred in connection with any investment made pursuant to this Section 6(d).

(e) The CP Issuer has established with the trust department of the Collateral Agent at its offices in New York, New York in the name of the Collateral Agent and for the benefit of the Secured Parties, a certain segregated non-interest bearing trust account (account number C1-98024) (the "Cap Proceeds Account"). All amounts received by the CP Issuer pursuant to the Interest Rate Caps on the settlement date for any Interest Rate Cap (a "Cap Settlement Date") shall be deposited in the Cap Proceeds Account. Any Excess Cap Proceeds on a Cap Settlement Date will be paid to the CP Issuer on such date. Funds in the Cap Proceeds Account shall be invested at the direction of the CP Issuer or, if an Event of Default shall have occurred and be continuing, the Liquidity Agent (if it so elects) in Cash Equivalents with maturities not later than the next succeeding Business Day. Any earnings on such invested funds shall be deposited and held in the Cap Proceeds Account and applied in the same manner and priority as payments pursuant to the Interest Rate Caps. Any direction of the CP Issuer or the Liquidity Agent to make an investment shall be made in writing and shall certify that such investment complies with the requirements set forth in this Section 6(c). The Collateral Agent shall not be liable for any loss or expense incurred in connection with any investment made pursuant to this Section 6(e).

(f) The CP Issuer has established with the trust department of the Collateral Agent at its offices in New York, New York in the name of the Collateral Agent and for the benefit of the Secured Parties, a certain segregated non-interest bearing trust account (ac-

count number C1-97957) (the "Cap Escrow Account") and deposited \$5,000,000 in such account. The CP Issuer agrees that, no less frequently than every Business Day, it will monitor by consulting with a financial institution satisfying the conditions of Section 7.28 of the Liquidity Agreement the amount of such deposit to ensure that such amount is equal to at least 150 percent of the anticipated purchase price of the interest rate cap agreements that fulfill the requirements set forth in Section 7.28 of the Liquidity Agreement (the "Required Cap Agreements"). If the amount of such deposit falls below such 150 percent threshold on any Business Day, the CP Issuer agrees that it shall, on such Business Day, either (i) purchase the Required Cap Agreements or (ii) deposit additional funds into the Cap Escrow Account in an amount sufficient to bring the amount on deposit therein above such 150 percent threshold. Within 30 days after the Issuance Date, the CP Issuer shall enter into the Required Cap Agreements. Upon the written request of the CP Issuer, the Collateral Agent shall withdraw from the Cap Escrow Account and pay to or upon such written direction of the CP Issuer the amounts specified in such written request as being the amounts payable in connection with the acquisition of the Interest Rate Caps. If within 30 days after the Issuance Date, the CP Issuer has not delivered to the Collateral Agent interest rate cap agreements together with a certification by the CP Issuer that such agreements fulfill the requirements of Section 7.28 of the Liquidity Agreement, the Collateral Agent shall use its best efforts to enter into interest rate cap agreements meeting such requirements on behalf of the Secured Parties as soon as practicable. After the Interest Rate Caps have been purchased and paid for, any amount remaining in the Cap Escrow Account shall, at the written direction of the CP Issuer, be disbursed to the CP Issuer and the Cap Escrow Account shall then be closed.

(g) The CP Issuer has established with the trust department of the Collateral Agent at its offices in New York, New York, in the name of the Collateral Agent and solely for the benefit of the parties to whom such fees are owed, a certain segregated non-interest bearing trust account (account number C1-97962) (the "Miscellaneous Fee Collateral Account"). On the Issuance Date and on each anniversary thereof, the CP Issuer shall deposit in the Miscellaneous Fee Collateral Account an amount equal to the annual fees not then on

deposit which are payable on or prior to the next anniversary date to the Depositary, the Collateral Agent and the Rating Agencies. Funds in the Miscellaneous Fee Collateral Account shall be invested at the direction of the CP Issuer in Cash Equivalents with maturities not later than the respective days required for the possible application of such funds for payment of the Monthly Collateral Agent Fee, the Rating Agency Fees and the Monthly Depositary Fee as required under Section 7 of this Agreement if sufficient funds are not otherwise available in the Facilities Cost Account to pay the Monthly Collateral Agent Fee, the Rating Agency Fees and the Monthly Depositary Fee. Any earnings (net of losses and investment expenses) on such invested funds shall be paid to the CP Issuer on the CP Issuer's written request. Any direction of the CP Issuer to make any investment shall be made in writing and shall certify that such investment complies with the requirements set forth in this Section 6(g). The Collateral Agent shall not be liable for any loss or expense incurred in connection with any investment made pursuant to this Section 6(g).

SECTION 7. Distributions on Distribution

Dates. (a) On each Distribution Date the Collateral Agent shall (on the basis of the information set forth in the CP Settlement Statement substantially in the form of Exhibit A attached hereto which shall be delivered by the CP Issuer to the Collateral Agent (with a copy to the Liquidity Agent) on the related Determination Date preceding such Distribution Date), by 1:30 p.m. (New York City time), apply funds on deposit in the Facilities Cost Account to pay the following amounts in the following order of priority:

first, to pay (i) the Accrued Interest Component for each day prior to such Distribution Date to the Interest Account (to the extent not previously deposited therein) and (ii) any accrued and unpaid interest on the Loans (including interest on overdue payments of principal or interest as provided in the Liquidity Agreement) to the Interest Account (to the extent not previously deposited therein) on such Distribution Date, pro rata based on the respective amounts due under clause (i) and clause (ii) above on the related Determination Date;

second, to pay the Liquidity Fee with interest on overdue payments thereof as provided in the Liquidity Agreement to the Liquidity Agent for its own account and for the account of the Liquidity Banks (it being understood that, to the extent that there are insufficient funds on deposit in the Facilities Cost Account to make any such payment, the Collateral Agent shall withdraw an amount from the Liquidity Fee Collateral Account equal to the amount of such deficiency to enable the Collateral Agent to make such payment);

third, to pay, pro rata based on the amount of the fee or premium (if required) then due, the Monthly Collateral Agent Fee, to the Collateral Agent; the Rating Agency Fees, if applicable, to the Rating Agencies; and the Monthly Depositary Fee, to the Depositary (it being understood that, to the extent that there are insufficient funds on deposit in the Facilities Cost Account to make any such payment, the Collateral Agent shall withdraw an amount from the Miscellaneous Fee Collateral Account equal to the amount of such deficiency to enable the Collateral Agent to make such payment);

fourth, [Reserved];

fifth, [Reserved];

sixth, to pay, pro rata based on the amount claimed, increased costs and other expenses and interest on overdue amounts that are due to the Collateral Agent, the Depositary, the CP Dealers, the Liquidity Agent or the Liquidity Banks under the Facilities Documents;

seventh, [Reserved];

eighth, to pay, pro rata based on the amounts claimed, any indemnity payments that are due to the Collateral Agent, the Depositary, the CP Dealers, the Liquidity Agent or the Liquidity Banks under the Facilities Documents; and

ninth, subject to Section 7(c) and provided that no Default or Event of Default shall then have occurred and be continuing, to pay any remaining amounts to the CP Issuer (but only to the extent (as set forth in the Settlement Statement) that such a distribution will not result in a Borrowing Base Deficiency and provided that (as set forth in the Settlement Statement) no Borrowing Base Deficiency exists at such time.

(b) For purposes of distributions pursuant to clause sixth or eighth of (a) above, the Collateral Agent shall distribute funds to satisfy any amounts that may be unpaid with respect to the Depositary Agreement, the Liquidity Agreement, the Security Agreement and the CP Dealer Agreements based upon amounts claimed in writing by the Depositary, the Liquidity Agent, the Liquidity Banks, the CP Dealers, the CP Issuer or the Collateral Agent, which is not contested in good faith by the CP Issuer or the Controlling Party in writing to the Collateral Agent within ten Business Days after the date on which such written claim was presented to the CP Issuer. If any such amounts are disputed in good faith by the CP Issuer or the Controlling Party, the amount in dispute shall be redeposited into the Facilities Cost Account and held in escrow by the Collateral Agent in a separate subaccount of the Facilities Cost Account pending the resolution of such dispute. Following the resolution of the dispute, the amount shall either be released to the Depositary, the Liquidity Agent, the Liquidity Banks, the CP Dealers, the CP Issuer or the Collateral Agent, as applicable, or applied on the next Business Day pro rata to repay the balance of outstanding claims in accordance with clause (a) above.

(c) No distribution will be made to the CP Issuer from and after the Amortization Period Commencement Date until the Collateral Agent receives written notice from the CP Issuer that all of the Loans and the Commercial Paper, and any fees, expenses and other amounts owed by the CP Issuer hereunder, under the Depositary Agreement and under the Liquidity Agreement, or otherwise, shall have been paid or provided for payment in full and that the Liquidity Commitment shall have been terminated. After the payment in full of the Loans and the Commercial Paper and any fees, expenses and other amounts owed by the CP Issuer hereunder, under the Depos-

itary Agreement and under the Liquidity Agreement pursuant to Section 7(a) hereof, or otherwise, and the termination of the Liquidity Commitment in full, the balance of any remaining funds, if any, shall be withdrawn from the Collateral Account and paid to the CP Issuer.

SECTION 8. Daily Cash Applications. (a) On each Business Day, the Collateral Agent shall, pursuant to and in accordance with the amounts reflected on the Daily Report delivered on such Business Day, (i) transfer to the Interest Account (A) from amounts on deposit in the Cap Proceeds Account, if any, the lesser of (1) the sum of the accrued interest since the preceding Business Day on the outstanding principal amount of the Loans (less the amount of investment earnings (net of losses and investment expenses) since the preceding Business Day, if any, from funds on deposit in the Loan Account), including interest on overdue payments of principal or interest on Loans as provided in the Liquidity Agreement, and the Accrued Interest Component since such preceding Business Day with respect to Commercial Paper Outstanding during such period after taking into account amounts already on deposit in the Interest Account and (2) the sum of (X) the product of (v) the quotient of (I) the amount deposited in the Cap Proceeds Account on the immediately preceding settlement date for the Interest Rate Caps divided by (II) the number of days from settlement date to settlement date for such Interest Rate Caps times (w) the number of days elapsed since the preceding Business Day and (Y) the aggregate amount not transferred prior to such day during the period since the preceding settlement date pursuant to this subclause (2), (B) from amounts paid with respect to the Class A Variable Funding Certificate pursuant to subsections 4.06(a)(i), 4.06(b)(i) and 4.06(c)(i) of the Variable Funding Supplement and (C) from amounts paid by the Depositary pursuant to Section 1(a) of the Depositary Agreement, an amount equal to the Accrued Interest Component and any accrued and unpaid interest on the Loans (including interest on overdue principal or interest), minus the sum of (x) any amount transferred to the Interest Account due to earnings on investments of amounts in the Loan Account, (y) any amount transferred to the Interest Account pursuant to clause (A) above and (z) amounts already on deposit in the Interest Account on such Business Day to pay the Accrued Interest Component and any interest accrued on the Loans (including interest on overdue principal or interest) and (ii) transfer the remaining funds received

pursuant to subsections 4.06(a), (b) and (c) less any amounts deposited in the Interest Account pursuant to clause (i)(B) above and deposit such amounts in the Facilities Cost Account.

(b) On each Business Day by 1:30 p.m., New York City time, based on the most recently delivered Daily Report delivered on such day, first (x) from amounts paid with respect to the Class A Variable Funding Certificate pursuant to Section 4.06(g) of the Variable Funding Supplement and from amounts paid by the Depositary pursuant to subsection 1(a) of the Depositary Agreement, the Collateral Agent shall distribute the amount of Principal Collections allocated to pay each Existing Bank's Loans to the Liquidity Agent for the account of each such Bank, and second (y) if such Daily Report reflects a Borrowing Base Deficiency, transfer from amounts paid with respect to the Class A Variable Funding Certificate pursuant to Section 4.06(e)(i) or 4.06(f) of the Variable Funding Supplement (i) to the Liquidity Agent for distribution to the Liquidity Banks in payment of principal of the Liquidity Loans or (ii) to the Principal Account, in each case, in the amount required to reduce to zero the Borrowing Base Deficiency reflected in such Daily Report or (z) if such Daily Report does not reflect a Borrowing Base Deficiency withdraw from amounts paid with respect to the Class A Variable Funding Certificate pursuant to Sections 4.06(e)(i) and (f) of the Variable Funding Supplement and deposit such amounts into the Principal Account.

(c) Any funds transferred to the Liquidity Agent pursuant to Section 8(b) or 8(d)(i)(y) shall be accompanied by interest accrued on the Liquidity Loans to be repaid (to but excluding the date of payment) and, with respect to subsection 8(b)(x), any costs required to be paid by Sections 3.10 and 10.04 of the Liquidity Agreement. When funds are deposited in the Principal Account, funds shall also be deposited in the Interest Account in an amount equal to the Accrued Interest Component (to but excluding the date of maturity) on Commercial Paper that first matures following such date with a Principal Component equal to the deposit made to the Principal Account (to the extent that such Accrued Interest Component has not been previously deposited to the Interest Account), in each case as set forth in the Daily Report, as applicable.

(d) On any Business Day, pursuant to a written instruction received prior to 3:00 p.m. (New York City time) on such Business Day, the CP Issuer (by an Authorized Agent) and the Depositary with respect to clauses (i)(x) and (z) and (ii)(x) below or the Liquidity Agent with respect to clauses (i)(y) and (ii)(y) below shall each have the right to instruct (and, in the case of transfers described in clauses (i)(x) and (ii)(x) below, shall instruct) the Collateral Agent to withdraw, or order the transfer and application of, amounts on deposit in the Principal Account, Interest Account or Loan Account only for the following purposes:

(i) From the Principal Account:

(x) to transfer into the Commercial Paper Account the Principal Component of any amounts due in respect of maturing Commercial Paper;

(y) to pay to the Liquidity Agent for distribution to the Liquidity Banks to pay the principal amount on any outstanding Liquidity Loans; and

(z) to the extent not required for the purposes set forth in Sections 8(d)(i)(x) and (y), prior to the Amortization Period Commencement Date to acquire additional undivided interests in the Trust in an amount equal to the VFC Additional Class A Invested Amount in accordance with Section 6.15 of the Pooling and Servicing Agreement.

(ii) From the Interest Account:

(x) to transfer to the Commercial Paper Account the Interest Component of any amounts due in respect of maturing Commercial Paper; and

(y) to pay to the Liquidity Agent for the account of the Liquidity Banks the interest amount due and payable on any Loans on such date.

(iii) From the Loan Account:

(x) to transfer to the Interest Account any earnings on investments (net of losses and investment expenses) of amounts on deposit therein; and

(y) to transfer to the Liquidity Agent for the benefit of the Bank which has made a Non Pro Rata Loan the principal amount of such Non Pro Rata Loan.

(iv) From the Facilities Cost Account:

(x) to transfer or pay to the appropriate account or entity any unpaid amount specified in clause (i)(x), (i)(y), (ii)(x) or (ii)(y) which is due and payable on such date following the application of amounts from the Principal Account and the Interest Account.

(e) On any Business Day, amounts on deposit in the Principal Account shall be allocated by the CP Issuer among Commercial Paper and Liquidity Loans in accordance with the Commercial Paper Percentage and the Liquidity Loan Percentage as of such Business Day and amounts on deposit in the Interest Account shall be allocated by the CP Issuer among Commercial Paper and Loans pro rata based on the respective Accrued Interest Component of Commercial Paper and accrued and unpaid interest on the Loans (including interest on overdue payments of principal or interest as provided in the Liquidity Agreement).

SECTION 9. CP Issuer Remains Liable. Anything herein to the contrary notwithstanding, (a) the CP Issuer shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Collateral Agent or the Controlling Party of any of the rights hereunder shall not release the CP Issuer from any of its duties or obligations under the contracts and agreements included in the Collateral, (c) neither the Collateral Agent nor any of the Secured Parties shall have any obligation or liability under the contracts and agreements included in

the Collateral by reason of this Agreement, nor shall the Collateral Agent nor any of the Secured Parties be obligated to perform any of the obligations or duties of the CP Issuer thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 10. Representations and Warranties.

The CP Issuer hereby represents and warrants as follows:

(a) The chief place of business and chief executive office of the CP Issuer and the office where the CP Issuer keeps its records concerning the Class A Variable Funding Certificate and the original copies of the Assigned Collateral are located at the addresses set forth in Section 20 hereof for the CP Issuer.

(b) The CP Issuer is the legal and beneficial owner of the Collateral free and clear of any liens, security interest, option or other charge or encumbrance except for the security interest created by this Agreement and other Permitted Liens. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Collateral Agent relating to this Agreement (all of which financing statements or instruments shall have been either released as of the Issuance Date or covered by proper financing statements to release all security interests of any such secured parties, which financing statements will have been delivered to the Collateral Agent on or prior to the Issuance Date). The CP Issuer has no trade names.

(c) The pledge and assignment of the Collateral created pursuant to this Agreement is a valid and perfected first priority security interest in the Collateral, securing the payment of the Loan Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly made or taken.

(d) No authorization, consent, approval or other action by, and no notice to or filing with, any Governmental Authority is required except for filing of UCC-1 financing statements in the filing offices listed on Schedule 1 hereto (i) for the grant by the CP Issuer of the assignment or security interest granted hereby or for the execution, delivery or performance of this Agree-

ment by the CP Issuer, (ii) for the perfection of or the exercise by the Collateral Agent or the Controlling Party of the rights and remedies provided for in this Agreement or (iii) to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement in any jurisdiction in which any of the Collateral is located.

(e) Prior to the delivery thereof to the Collateral Agent, the CP Issuer had exclusive possession and control of the Class A Variable Funding Certificate.

SECTION 11. Further Assurances; Supplements.

(a) The CP Issuer and the Collateral Agent severally agree that at any time and from time to time, at the expense of the CP Issuer, each of the CP Issuer and the Collateral Agent will promptly execute and deliver all further instruments and documents, and take all further action that may be necessary or desirable, or that the Collateral Agent or the Controlling Party may request, to perfect and protect the assignments and security interests granted or purported to be granted hereby or to enable the Collateral Agent or the Controlling Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, (i) the CP Issuer will, if any Collateral shall be evidenced by a promissory note or other instrument, promptly (and, in any event, within two Business Days after receipt) deliver and pledge to the Collateral Agent hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Controlling Party, and (ii) each of the CP Issuer and the Collateral Agent will execute and the CP Issuer will file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or that the Collateral Agent or the Controlling Party may request, to protect and preserve the assignments and security interests granted or purported to be granted hereby. Notwithstanding any provision to the contrary contained herein, the Collateral Agent shall have no duty or obligation to ensure that (i) it has a valid security interest in any Collateral; (ii) any such security interest is perfected; (iii) any financing or continuation statements required to be filed are properly filed; or (iv) any other action required to be taken to maintain the pledge of the security interest granted to the Collateral Agent is actually

taken without instructions in writing delivered to it by the CP Issuer pursuant to this Section 11.

(b) The CP Issuer hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the CP Issuer where permitted by law; provided, however, that the Collateral Agent shall not be required to file any UCC financing statements or amendments thereto unless directed to do so in writing by the CP Issuer or the Controlling Party and such statements or amendments are delivered to it for execution by the Controlling Party, the CP Issuer or counsel to either of them. A photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Collateral Agent will promptly send the CP Issuer a copy of any financing or continuation statements thereto which it files without the signature of the CP Issuer except, in the case of filings of copies of this Agreement as financing statements, the Collateral Agent will promptly send the CP Issuer, the filing or recordation information with respect thereto.

(c) The CP Issuer will promptly furnish to the Collateral Agent or the Controlling Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent or the Controlling Party may reasonably request, all in reasonable detail.

(d) The CP Issuer agrees that it will not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral or (ii) create or permit to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral, except for Permitted Liens.

(e) The failure by the CP Issuer to perform its obligations under this Section 11 will not constitute a failure by the Collateral Agent.

SECTION 12. Additional Covenants. (a) The CP Issuer shall keep its chief place of business and chief executive offices and the office where it keeps its respective records concerning the Collateral at the location therefor specified in Section 10(a) or, upon 60 days' prior written notice to the Collateral Agent and the Liquidity Agent, at such other location specified in such notice in a jurisdiction where all action required by Section 11 shall have been taken with respect to the Collateral. The CP Issuer will hold and preserve its records and will permit representatives of the Collateral Agent or the Controlling Party at any time during normal business hours to inspect and make copies of and abstracts from such records and to discuss matters relating to the Collateral with any of its officers. The CP Issuer will not change its name (if otherwise permitted by the Facilities Documents), unless it has delivered the Collateral Agent at least 60 days' written notice and shall have taken all action required by Section 11 with respect to the Collateral.

(b) Except as otherwise provided in this subsection (b), and subject to the provisions of Section 6 hereof, the CP Issuer shall continue to collect, at its own expense, all amounts due or to become due to the CP Issuer under or in connection with the Class A Variable Funding Certificate and the Assigned Collateral. In connection with such collections, the CP Issuer may take (and at the Collateral Agent's or the Controlling Party's direction after a Servicer Default has occurred and is continuing, shall take) such action as the CP Issuer or the Collateral Agent (at the written direction of the Controlling Party) may deem necessary or advisable to cause the Trustee to make all required payments on the Class A Variable Funding Certificate and collections under the Assigned Agreement; provided, however, that the Collateral Agent (at the written direction of the Controlling Party) shall, at any time a Servicer Default has occurred and is continuing, notify the Trustee of the assignment of such Class A Variable Funding Certificate and the Assigned Agreement, as the case may be, to the Collateral Agent or the collection agent appointed by the Collateral Agent and direct that payments of all amounts due or to become due to the CP Issuer thereunder be made directly to the Collateral Agent or the collection agent appointed by the Collateral Agent and, upon such notification, and at the expense of the CP Issuer, the Collateral Agent (at the written direction of the Controlling

Party) may enforce collection of any such Class A Variable Funding Certificate or the Assigned Agreement and adjust, settle or compromise the amount or payment thereof.

(c) Any proceeds of Collateral, when first received by the CP Issuer, shall be deposited by the CP Issuer in precisely the form received (with all necessary endorsements) in the Collateral Account or the Cap Proceeds Account, as applicable, and until so deposited shall be held in trust by the CP Issuer for and as the Collateral Agent's property and shall not be commingled with the CP Issuer's other funds or properties.

(d) The CP Issuer will not, without the prior written consent of the Collateral Agent and the Controlling Party, grant any extension of the time of payment of any of the Collateral, compromise, compound or settle the same for less than the full amount thereof or release, wholly or partly, any Person liable for the payment thereof. Notwithstanding the foregoing the CP Issuer will not have any rights as registered holder of the Class A Variable Funding Certificate other than those of a Certificateholder of the Class A Variable Funding Certificate.

(e) The CP Issuer will, at its own cost and expense, maintain satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. The CP Issuer will mark conspicuously with a legend, (A) its books, records and computer tapes or disks, and (B) its file cabinets or other storage facilities where it maintains information pertaining to the Collateral, to evidence this Agreement and the assignment and security interest granted hereby.

(f) The CP Issuer will comply in all material respects with all applicable statutes, rules, and regulations with respect to the Collateral or any part thereof.

(g) The CP Issuer will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom and all claims of any kind, except that no such amount need be paid if (i) the charge

or levy is being contested in good faith and by proper proceedings, and (ii) the obligation to pay such amount is adequately reserved against in accordance with and to the extent required by GAAP.

(h) The CP Issuer will (i) perform and observe all the terms and provisions of the Assigned Agreement and the Interest Rate Caps to be performed or observed by it, maintain the Assigned Agreement and the Interest Rate Caps in full force and effect, enforce each of the Assigned Agreement and the Interest Rate Caps in accordance with its terms and take all such action to such end as may be reasonably requested from time to time by the Collateral Agent or the Controlling Party, and (ii) furnish to the Collateral Agent and the Controlling Party promptly upon receipt thereof copies of all notices, requests and other documents received by the CP Issuer under or pursuant to the Assigned Agreement and the Interest Rate Caps, and from time to time (A) furnish to the Collateral Agent and the Controlling Party such information and reports regarding the Assigned Collateral as the Collateral Agent or the Controlling Party may reasonably request and (B) upon request of the Collateral Agent or the Controlling Party, make to any counterparty to the Assigned Agreement and each Interest Rate Cap such demands and requests for information and reports or for action as the CP Issuer is entitled to make under the Assigned Agreement and each Interest Rate Cap.

(i) The CP Issuer will advise the Collateral Agent and the Controlling Party promptly upon its obtaining knowledge thereof, in reasonable detail, (i) of any lien, security interest, encumbrance or claim made or asserted against any of the Collateral and (ii) of the occurrence of any event which would have a material adverse effect on the aggregate value of the Collateral or on the assignments and security interests granted hereby.

(j) The CP Issuer will advise the Servicer promptly upon its obtaining knowledge of any Supplemental Payments required to be made by the CP Issuer.

(k) The CP Issuer represents that (i) it has entered into or will enter into each Interest Rate Cap as provided herein, (ii) a true and complete copy of each Interest Rate Cap has heretofore been delivered or will be delivered to the Collateral Agent, the Liquidity Agent and each Liquidity Bank, (iii) it has pledged or

will pledge all of its right, title and interest in, to and under each Interest Rate Cap to the Collateral Agent hereunder, (iv) the consent of each counterparty thereto is not required to pledge each Interest Rate Cap pursuant to this Security Agreement or to realize on such pledge and (v) the Collateral Agent is fully authorized from and after the occurrence of an Event of Default to exercise the rights of an assignee of the CP Issuer thereunder.

(l) The CP Issuer agrees that all payments under the Interest Rate Caps are to be forwarded directly to the Collateral Agent for deposit into the Cap Proceeds Account, both prior to and after the occurrence of an Event of Default. If any payments under or other proceeds of any Interest Rate Cap are received by the CP Issuer, the CP Issuer will deposit such proceeds, when first received by it and precisely in the form received (with all necessary endorsements) in the Cap Proceeds Account, and until so deposited shall hold such proceeds in trust for the Collateral Agent and as the Collateral Agent's property and shall not commingle such proceeds with the CP Issuer's other funds or properties.

(m) The CP Issuer shall not, without the prior written consent of Collateral Agent and the Controlling Party, amend, compromise or otherwise modify, grant any consents, waivers, extensions, indulgences, accords, releases or settlements (except in each case as a result of payment or performance in full) under, terminate, cancel or surrender any Interest Rate Cap.

SECTION 13. Collateral Agent Appointed Attorney-in-Fact. Without limiting the second paragraph of Section 3 hereof, the CP Issuer appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, its attorney-in-fact with full authority in the place and stead of the CP Issuer and in the name of the CP Issuer, or otherwise, from time to time in the Controlling Party's discretion, after a Matured Default, to take, at the written direction of the Controlling Party, any action and to execute any instrument that the Controlling Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to ask, demand, collect, sue for, recover, compromise, receive and give acquittances and receipts for moneys due and to become due under or in connection with the Collateral, receive, endorse and collect all drafts or other instruments and documents

made payable to the CP Issuer in connection therewith or representing any payment, dividend or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same, and upon and during the continuance of a Matured Default, the Collateral Agent shall, as such attorney-in-fact, upon receipt of the written direction of the Controlling Party, file any claims or take any action or institute any proceedings which the Controlling Party may deem to be necessary or desirable for the collection thereon or to enforce compliance with the terms and conditions of the Assigned Agreement. The CP Issuer hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Section 13. The power of attorney granted to the Collateral Agent hereby is a power coupled with an interest and shall be irrevocable.

SECTION 14. Collateral Agent May Perform. If the CP Issuer fails to perform any agreement contained herein or if a default in the performance of its obligations or duties shall have occurred and be continuing, the Collateral Agent may, and at the written direction of the Controlling Party shall, at any time itself perform, or cause performance of, such agreement and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the CP Issuer under Section 18.

SECTION 15. The Collateral Agent. (a) Each of the Secured Parties hereby appoints and authorizes the Collateral Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Collateral Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Collateral Agent hereby agrees to act as the Collateral Agent on the terms and conditions provided in this Agreement. As to any action not expressly provided for by this Agreement, the Collateral Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written instructions of the appropriate party or parties, including the Controlling Party, pursuant to the provisions hereof, and such instructions shall be binding upon the Secured Parties; provided, however, that the Collateral Agent shall not be required to take any action which exposes the Collateral Agent, in its reasonable judgment, to personal liability or which is contrary to any of the

Loan Documents or applicable law. The Collateral Agent shall be entitled to rely on any communication, instrument, paper or other document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. The Collateral Agent shall provide the Depositary and the Liquidity Agent, promptly upon receipt, copies of all notices received in accordance with this Agreement. If, to the knowledge of a Responsible Officer of the Collateral Agent, a Servicer Default has occurred and is continuing, the Collateral Agent shall also provide the CP Dealers promptly upon receipt, copies of all notices received in accordance with this Agreement.

(b) Neither the Collateral Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except that the Collateral Agent may be liable for its or their gross negligence or willful misconduct.

(c) The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon the Collateral Agent to exercise any such powers, except as otherwise provided in subsection (a) above. Except for the exercise of reasonable care in the custody and preservation of any Collateral in its possession and accounting for moneys actually received by it hereunder and the taking of actions required to be taken by it hereunder, the Collateral Agent shall have no duty as to any Collateral.

(d) The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, it being understood that (i) neither the Collateral Agent nor any of the Secured Parties shall have responsibility for (A) taking any necessary steps to preserve rights against any parties with respect to any Collateral other than the parties hereto or the parties for whom they are acting as agents or (B) the collection of any proceeds of any Collateral by reason of any invalidity, lack of value or uncollectability of any of the payments received by it from obligors or otherwise and (ii) the Collateral Agent shall have no responsibility for evaluating, selecting or

in any way rendering any advice with respect to any Investments.

(e) Chemical Bank and its Affiliates may generally engage in any kind of business with the CP Issuer or the Liquidity Banks, any of their respective Affiliates and any Person who may do business with or own securities of the CP Issuer, or the Liquidity Banks or any of their respective Affiliates, all as if Chemical Bank were not the Collateral Agent and without any duty to account therefor to any party to this Agreement.

(f) The Collateral Agent may perform any of its duties hereunder directly or by or through agents or attorneys, shall be entitled to consult with counsel and to act in reliance upon the advice of such counsel concerning matters pertaining to the agencies created hereby and its duties hereunder, and shall not be liable for any action taken or omitted to be taken by it in good faith and in reasonable reliance upon and in accordance with the advice of counsel selected by it. The Collateral Agent undertakes to perform only such duties as are expressly set forth herein, and no implied covenants or obligations shall be read into this Agreement against the Collateral Agent. No provision hereof shall be construed to relieve the Collateral Agent from liability to the Secured Parties, or any of them, or the CP Issuer for its own gross negligence or wilful misconduct; provided that (i) the Collateral Agent shall not be liable with respect to any action taken, suffered or omitted by it in good faith (A) reasonably believed by it to be authorized or within the discretion or rights or powers conferred on it by this Agreement, or (B) in accordance with any written direction or request of the CP Issuer or the Controlling Party pursuant to this Agreement; and (ii) the Collateral Agent shall not be liable for any error of judgment made in good faith by any of its officers or employees, unless the Collateral Agent was grossly negligent in ascertaining the pertinent facts or in determining the requirements imposed by this Agreement.

(g) In the absence of bad faith on its part and except as otherwise provided herein, the Collateral Agent (i) may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any note, notice, resolution, consent, certificate, affidavit, letter, telegram, teletype message, statement, order or other document reasonably

believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, (ii) shall not be obligated to make any investigation into facts or matters stated in any such document or instrument and (iii) shall have no liability in acting, or in omitting to act, where such action or omission to act is in reliance upon any statement or opinion contained in any such document or instrument. The Collateral Agent shall be entitled to rely conclusively upon, and shall have no duty or obligation to check, verify or otherwise assess the accuracy of, the calculations of any amounts set forth in a Daily Report or Settlement Statement provided to the Collateral Agent. The Collateral Agent assumes no responsibility for the correctness of the recitals to this Agreement nor for the validity, effectiveness, value, sufficiency or enforceability of this Agreement against the other parties hereto, of the other Facilities Documents against the parties thereto or of the other Collateral (or any part thereof) against any obligor thereunder. The Collateral Agent shall not be deemed to have knowledge of any Default, Event of Default, Matured Default or Pay Out Event (or event of circumstance which, with the giving of notice or the passage of time or both, would become any Default, Event of Default, Matured Default or Pay Out Event), unless and until a Responsible Officer of the Collateral Agent shall have received written notice thereof or shall otherwise have actual knowledge thereof. Unless otherwise notified in writing by the Controlling Party, the Collateral Agent shall be entitled to assume that the Controlling Party may exercise all of the rights granted to it as Controlling Party under this Agreement and the Collateral Agent shall not be liable for carrying out any instructions given by the Controlling Party that are permitted hereunder. The Collateral Agent shall have no responsibility for maintaining the value of the Collateral, ensuring that any Collateral is properly delivered to it, or ensuring or maintaining the validity or perfection of the pledge or assignment of Collateral to it, provided that the Collateral Agent shall be responsible for holding the Collateral in accordance with the provisions hereof.

(h) No provision of this Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, provided that the Collateral Agent may advance its own funds in the

performance of its duties hereunder if it believes that repayment of such funds is reasonably assured to it. The Collateral Agent shall not be liable or responsible for any losses incurred or suffered by the CP Issuer or any Secured Party, or any decrease in the value of the Collateral, resulting from an investment made in accordance with any direction received pursuant to Section 6(c) or from any sale or other disposition of Collateral made in accordance with any direction received pursuant to Section 16. In no event shall the Collateral Agent be personally liable for any taxes or other governmental charges imposed upon or in respect of the Collateral or upon the income or other distribution thereon.

(i) The Collateral Agent shall not, without the prior written consent of the Controlling Party and, prior to the occurrence of an Event of Default which is continuing, the CP Issuer, amend, compromise or otherwise modify, grant any consents, waivers, extensions, indulgences, accords, releases or settlements (except in each case as a result of payment or performance in full) under, terminate, cancel or surrender any Interest Rate Cap.

SECTION 16. Actions Following Matured Default.

(a) Following a Matured Default, the Collateral Agent at the written direction of the Controlling Party may take any or all of the following actions, at the same or different times:

(i) Without notice to the CP Issuer except as required by law and at any time or from time to time, charge, set off and otherwise apply all or any part of the Collateral on deposit or otherwise held in the Facilities Cost Account in accordance with Section 7(a) hereof.

(ii) Exercise in respect of the Collateral, in addition to any and all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC of any applicable jurisdiction.

(iii) Exercise at the CP Issuer's expense any and all rights and remedies of the CP Issuer under or in connection with the

Assigned Agreement and the Interest Rate Caps or otherwise in respect of the Collateral, including any and all rights of the CP Issuer to demand or otherwise require payment of any amount under, or performance of any provision of, the Assigned Agreement or each Interest Rate Cap. It is understood that all proceeds of Collateral received by the Collateral Agent shall be distributed in accordance with the priority of payments and allocation procedures specified in Sections 7 and 8 hereof.

The Collateral Agent may exercise such rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to in the next succeeding sentence) to or upon the CP Issuer or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived). The CP Issuer agrees that, to the extent notice of any sale of Collateral shall be required by law, 10 days' notice to the CP Issuer (promptly confirmed in writing) of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The CP Issuer agrees that the Collateral Agent shall not be obligated to make any sale of Collateral regardless of any notice of sale having been given. The Collateral Agent may, at the direction of the Controlling Party, adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. It is understood that all proceeds of Collateral received by the Collateral Agent shall be distributed in accordance with the priority of payments and allocation procedures specified in Sections 7 and 8 hereof. To the extent permitted by applicable law, the CP Issuer waives all claims, damages and demands it may acquire against the Collateral Agent or any Secured Party arising out of the exercise of any rights or remedies pursuant to this Security Agreement. The CP Issuer authorizes the Collateral Agent to execute in connection with any sale provided for in this Section 16(a) any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(b) The CP Issuer shall instruct the Trustee to make any payment payable under or in connection with the Assigned Agreement by depositing such payment directly into the Collateral Account (with any necessary endorsement).

(c) Any cash held by the Collateral Agent as Collateral and all cash proceeds received by the Collateral Agent in respect of any collection from, or other realization upon, all or any part of the Collateral may, at the discretion of the Collateral Agent, be held by the Collateral Agent as collateral and applied as set forth in Sections 7 and 8 hereof; provided, however, that amounts held in the Liquidity Fee Collateral Account may be applied only to the payment of the Liquidity Fee if such fee is not paid when due by the CP Issuer.

SECTION 17. Successor Agent. The Collateral Agent may resign at any time by giving written notice thereof to the Depositary, the Liquidity Agent and the CP Issuer; provided, however that no such resignation shall become effective until a successor Collateral Agent shall have been appointed. Upon any such resignation, the Controlling Party shall have the right to appoint a successor Collateral Agent acceptable to the Servicer. If no successor Collateral Agent shall have been so appointed by the Controlling Party and shall have accepted such appointment, within 60 days after the retiring Collateral Agent's giving of notice of resignation, the retiring Collateral Agent may appoint a successor Collateral Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof, having a combined capital and surplus of at least \$250,000,000, reasonably acceptable to the Controlling Party and rated at least "Baa3" or "P-3" or approved by Moody's or may petition any court of competent jurisdiction for the appointment of such a successor. Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent, and the retiring Collateral Agent shall be discharged from its duties and obligations under this Agreement.

Any corporation into which the Collateral Agent may be merged or converted or with which it may be consolidated or any corporation resulting from any merger,

conversion or consolidation to which the Collateral Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Collateral Agent hereunder, shall be the successor of the Collateral Agent hereunder, provided that such corporation shall be eligible under the provisions of this Section 17, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 18. Indemnity and Expenses. (a) The CP Issuer and Federated, jointly and severally, agree to indemnify the Collateral Agent and its directors, officers, employees and agents from and against any and all claims, damages, losses, liabilities and expenses arising out of or in connection with or resulting from this Agreement (including, without limitation, enforcement of this Agreement), unless and to the extent such claim, damage, loss, liability or expense was attributable to the Collateral Agent's gross negligence or willful misconduct.

(b) The CP Issuer agrees to pay to the Collateral Agent from time to time reasonable compensation for all services rendered by the Collateral Agent hereunder as mutually agreed upon. The CP Issuer will pay to the Collateral Agent the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent or any of the Secured Parties hereunder, (iv) the failure by the CP Issuer to perform or observe any of the provisions hereof or (v) any action taken by the Collateral Agent pursuant to Section 13 or 16 hereof.

(c) The provisions of this Section 18 shall survive the resignation or removal of the Collateral Agent and the termination of this Agreement.

(d) Indemnities (other than the indemnities of Federated under Section 18(a)) and expenses payable pursuant to this Agreement shall be applied in accordance with Section 7(a) eighth.

SECTION 19. Amendments, Etc. Subject to the provisions of Section 10.03 of the Liquidity Agreement, no amendment of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the CP Issuer, the Liquidity Agent, the Depository, and the Collateral Agent. Prior to the execution of any amendment to this Agreement, the Collateral Agent shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Collateral Agent may, but shall not be obligated to, enter into any such amendment which affects the Collateral Agent's own rights, duties or immunities under this Agreement or otherwise. No waiver of any provision of this Agreement, nor consent to any departure by the CP Issuer herefrom, shall in any event be effective unless the same shall be in writing and signed by the Liquidity Agent, the Depository and the Collateral Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure to exercise nor any delay in exercising on the part of the Collateral Agent or any Secured Party any right, power or privilege under this Agreement, shall operate as a waiver thereof; further, no single or partial exercise of any right, power or privilege under this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

SECTION 20. Addresses for Notices. All notices, requests, consents and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and, if to the CP Issuer, mailed, telecopied, telegraphed, telexed, cabled or delivered to it, addressed to it at Deerfield Funding Corporation, 4705 Duke Drive, Mason, Ohio 45040, Attention: President, Telephone: (513) 573-2006, Fax: (513) 573-2039, with a copy to Federated at the address specified in the Liquidity Agreement, if to the Collateral Agent, mailed, telecopied, telegraphed, telexed, cabled or delivered to it at Chemical Bank, 55 Water Street, Room 1820, New York, New York 10041, Attention: Corporate Trustee Administration Department, Telephone: (212) 820-5165, Fax: (212) 514-6192 if to the Liquidity Agent, mailed, telecopied, telegraphed, telexed, cabled or delivered to it at the address specified in the Liquidity Agreement, if to the Depository mailed, telecopied, telegraphed, telexed, cabled or delivered to

it at the address specified in the Depositary Agreement, or as to any party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed, transmitted or cabled, be effective when deposited in the mails, telecopied, or delivered to the telegraph company, confirmed by telex answerback, or delivered to the cable company, respectively, addressed as aforesaid.

SECTION 21. No Waiver; Cumulative Remedies.

Neither the Collateral Agent nor any of the Secured Parties shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing and signed by the Collateral Agent and the Controlling Party. A waiver by the Collateral Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent would otherwise have on any future occasion.

SECTION 22. Continuing Security Interest.

This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment and satisfaction in full of the Loan Obligations and the termination of the Commitment of each Liquidity Bank, (ii) be binding upon the CP Issuer and its successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and the Secured Parties and their respective successors, transferees and assigns and the termination of the Commitment of each Liquidity Bank. Upon the payment and satisfaction in full of the Loan Obligations and the termination of the Commitment of each Liquidity Bank, the CP Issuer shall be entitled to the return, upon its request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof, at which time the Collateral Agent shall, at the expense and request of the CP Issuer, reassign and deliver to the CP Issuer, or to such Person or Persons as the CP Issuer shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Collateral Agent pursuant to the terms hereof, together with appropriate instruments of reassignment and release.

SECTION 23. Further Indemnification. Without limiting the obligations of the CP Issuer under Section 18 above, the CP Issuer agrees to pay, and to hold the Collateral Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

SECTION 24. Governing Law; Terms. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. UNLESS OTHERWISE DEFINED HEREIN OR IN THE AGREEMENT, TERMS USED IN ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE IN THE STATE OF NEW YORK ARE USED HEREIN AS THEREIN DEFINED.

SECTION 25. No Petition in Bankruptcy. Each of the parties to this Agreement (in the case of the Depositary and the Collateral Agent, not in their individual capacities but solely as Depositary and Collateral Agent, respectively) severally and not jointly, hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding Commercial Paper, it will not institute against, or join any other Person in instituting against, the CP Issuer or the Transferor any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

SECTION 26. Limited Recourse to CP Issuer. Each of the Depositary, the Collateral Agent and the Liquidity Agent agrees that the obligations of the CP Issuer hereunder, including without limitation the obligations of the CP Issuer in respect of fees and indemnity pursuant to Sections 18 and 23, shall be payable solely from the Collateral in accordance herewith and that the Depositary, the Collateral Agent and the Liquidity Agent shall not look to any other property or assets of the CP Issuer in respect of such obligations and that such obligations shall not constitute a claim against the CP Issuer in the event that the CP Issuer's assets are insuffi-

cient to pay in full such obligations and that such obligations are fully subject to the CP Issuer's obligations under the Commercial Paper and the Loan Notes.

SECTION 27. Actions by Liquidity Agent. The Liquidity Agent (acting as such or as the Controlling Party) shall have no obligation hereunder to grant any consent or approval, to give any direction or to take any other discretionary action unless and until it has been directed to do so by the Liquidity Banks or the requisite percentage or number of Liquidity Banks as provided in the Liquidity Agreement.

SECTION 28. Depository Agreement. The Collateral Agent is hereby authorized and directed to execute and deliver the Depository Agreement in the form delivered to the Collateral Agent by the CP Issuer and to perform the duties of the obligations of the Collateral Agent thereunder in accordance with the terms thereof.

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

DEERFIELD FUNDING CORPORATION

By Karen Huguet

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

CHEMICAL BANK
as the Depository, and as
the Collateral Agent

By Peter Morse

Name : Peter Morse
Title: Vice President

CREDIT SUISSE, NEW YORK BRANCH
as Liquidity Agent

By

Name :
Title:

Agreed for the purposes
of Section 18 only

FEDERATED DEPARTMENT STORES, INC.

By Karen Huguet

Name : Karen M. Huguet
Title: Senior Vice President of Planning
and Treasurer

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

DEERFIELD FUNDING CORPORATION

By _____

Name :
Title:

CHEMICAL BANK
as the Depositary, and as
the Collateral Agent

By _____

Name :
Title:

CREDIT SUISSE, NEW YORK BRANCH
as Liquidity Agent

By _____

Name : BRUCE T. MILLER
Title: Member of Senior Management

By _____

Name : JODIE E. DRISCOLL
Title: Associate

Agreed for purposes of Section
18 only:

FEDERATED DEPARTMENT STORES, INC.

By _____

Name :
Title:

SCHEDULE I

CP Issuer Filing Offices

DEERFIELD FUNDING CORPOPATON

DELAWARE

Secretary of State

NEW YORK

Secretary of State
New York County

OHIO

Secretary of State
Hamilton County
Warren County

CP Settlement Statement

Date:
Month Ended:

- (1.) Accrued Interest Component
Interest due and payable on Loans
- (2.) Liquidity Fee - Banks
Liquidity Fee - Agent
- (3.) Monthly Collateral Fee
Rating Agency Fee
S&P
Moody's
Monthly Depository Fee
- (4.)
- (5.)
- (6.) Overdue amounts:
Collateral Agent
Depository
CP Dealers
Liquidity Agent
Liquidity Banks
- (7.)
- (8.) Indemnity Payments:
Collateral Agent
Depository
CP Dealers
Liquidity Agent
Liquidity Banks

Total

EXHIBIT 10.18

Commercial Paper Dealer Agreement

THIS COMMERCIAL PAPER DEALER AGREEMENT, dated as of December 31, 1992 (this "Agreement"), among Goldman Sachs Money Markets, L.P., a Delaware limited partnership (the "Dealer"), DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer") and FEDERATED DEPARTMENT STORES, INC., a Delaware corporation ("Federated"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned to them in Annex X to the Liquidity Agreement, dated as of the date hereof (the "Liquidity Agreement"), among the CP Issuer, Federated, the Banks named therein (collectively, the "Banks"), and Credit Suisse, New York Branch, as agent for the Banks (in such capacity, the "Liquiduity Agent") and, if not defined herein or in Annex X to the Liquidity Agreement, the meanings assigned to such terms in the Pooling and Servicing Agreement and the Variable Funding Supplement, which definitions are incorporated by reference herein.

WHEREAS, the CP Issuer is a special purpose corporation and desires to issue and sell its asset-backed short-term promissory notes pursuant to the Depositary Agreement dated as of the date hereof (the "Depositary Agreement") between the CP Issuer and Chemical Bank as depositary and issuing and paying agent (the "Depositary") and supported by the Liquidity Agreement in the United States commercial paper market on a private placement basis; and

WHEREAS, the CP Issuer has requested that the Dealer act as commercial paper dealer in connection with the offer and sale of the Commercial Paper Notes and the Dealer has indicated its willingness to do so on the terms and conditions contained herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the Dealer, the CP Issuer, and Federated hereby agree as follows:

1. Commercial Paper Notes. The term "Commercial Paper Notes" means asset-backed short-term promissory notes to be issued by the CP Issuer, each such Commercial Paper Note (a) having a maturity at the time of issuance of not more than 270 days and (b) not containing any provision for extension, renewal or automatic "roll-over". The Commercial Paper Notes will be issued in such

face amounts (but not less than \$200,000 each (\$10,000 if purchased by the Dealer for its own account) and integral multiples of \$1,000 in excess thereof) and will be sold at such discounts from their CP Matured Values as shall be approved by the CP Issuer. No interest-bearing Commercial Paper Notes will be issued.

2. Appointment of Dealer. The CP Issuer hereby appoints the Dealer to be a placement agent in respect of the Commercial Paper Notes and the Dealer accepts such appointment subject to the terms and conditions set forth herein. Although (a) the CP Issuer has and shall have no obligation to sell, or arrange for the sale of, Commercial Paper Notes through the Dealer, and (b) the Dealer may, but has no and shall have no obligation to purchase Commercial Paper Notes as principal for its own account or for resale for the account of the CP Issuer, the parties hereto agree that any purchase of, or arrangement for the sale of, Commercial Paper Notes made by the Dealer will be made in reliance on, among other things, the representations, warranties, covenants and agreements of the CP Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein. Subject to the foregoing, the Dealer will use its best efforts to arrange sales of Commercial Paper Notes in the amounts requested by the CP Issuer. From time to time, the CP Issuer shall give the Dealer written notice of the entity serving as the Depositary.

3. Issuance of Commercial Paper Notes.

(a) Prior to or on the date of a proposed issuance of Commercial Paper Notes, the Dealer and the CP Issuer shall confer as to the face amounts, maturities and denominations of the Commercial Paper Notes, the applicable discounts from the CP Matured Values at which the Commercial Paper Notes are to be issued and whether such Commercial Paper Notes are to be issued in certificated or book-entry-only form. When the Dealer and the CP Issuer have mutually agreed on the financial terms of the Commercial Paper Notes, including appropriate compensation for the Dealer's services hereunder, the Dealer will instruct the Depositary to deliver either (i) duly executed and countersigned Certificated Notes to the persons specified by the Dealer on the date of issuance or (ii) BEO Notes through the book-entry-only program of DTC in the name of the persons specified by the Dealer on the date of issuance, as appropriate.

(b) The authentication and delivery of Certificated Notes and the issuance of BEO Notes through the facilities of DTC by the Depositary pursuant to the Depositary Agreement (referred to collectively with this Agreement as the "CP Agreements") shall constitute the issuance of such Commercial Paper Notes by the CP Issuer. All Certificated Notes issued shall be in conformity with the applicable provisions of the Depositary Agreement and the Liquidity Agreement. The CP Issuer shall deliver Certificated Notes signed by the CP Issuer to the Depositary and instructions shall be delivered to the Depositary to complete, authenticate and deliver such Certificated Notes in the manner prescribed in the Depositary Agreement. The Dealer shall be entitled to compensation (the "Dealer Fee") at such rates and paid in such manner as the CP Issuer and the Dealer shall from time to time agree and to reimbursement for its reasonable out-of-pocket costs and expenses (including reasonable legal fees and disbursements) in connection with the preparation of this Agreement and the transactions contemplated hereby.

(c) At or prior to 12:00 p.m. (New York City time) on any Business Day on which the Dealer shall have determined, in its sole judgment, that no market exists for the Commercial Paper Notes, the Dealer shall provide notice to the Depositary and the CP Issuer of such occurrence.

(d) If the Dealer receives, after 12:00 p.m. (New York City time) on any date of proposed issuance of Commercial Paper Notes instructions then in effect from the Liquidity Agent, that the Depositary shall not issue or deliver Commercial Paper Notes, then the Dealer shall at that point in time use its best efforts to stop any further sales of Commercial Paper Notes as soon as practicable and shall, in any event, stop such sales by the close of business on such day.

(e) The offer and sale of the Commercial Paper Notes by the CP Issuer is to be effected pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act"), provided either by Section 3(a)(3) or by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. Unless the Commercial Paper Notes are so exempt by reason of said Section 3(a)(3), offers and sales of the Commercial Paper Notes

by the Dealer on behalf of the CP Issuer will be made only to "accredited investors" (as such term is defined in Rule 501 under the 1933 Act) in accordance with the general provisions of Rule 506 under the 1933 Act.

(f) The CP Issuer and the Dealer agree to adhere to the following procedures in connection with the offer and sale or resale of the Commercial Paper Notes:

(i) The Commercial Paper Notes will not be offered or sold by any means of general solicitation or general advertising.

(ii) No sale of the Commercial Paper Notes to any one purchaser will be for less than \$200,000 face amount (\$10,000 face amount if purchased by the Dealer for its own account) and no Commercial Paper Note will be issued in a smaller face amount.

(iii) Unless the Commercial Paper Notes are exempt from the registration requirements of the 1933 Act by Section 3(a)(3) thereof, each Certificated Note shall contain the legend set forth on the form of such Certificated Note attached hereto as Exhibit A, stating in effect that (w) the Commercial Paper Notes have not been registered under the 1933 Act, (x) any sales of the Commercial Paper Notes may be made only to institutional investors approved as Accredited Investors by the Dealer, (y) any purchaser, by its acceptance of a Commercial Paper Note, represents that the Note is being acquired for investment and not with a view to, or for sale in connection with, any distribution thereof and (z) any resale of a Note may be made only to the Dealer, through the Dealer to an institutional investor approved by the Dealer as an Accredited Investor or Qualified Institutional Buyer, directly to an Accredited Investor in a transaction approved by the Dealer, or directly to a Qualified Institutional Buyer in a transaction made pursuant to Rule 144A.

(iv) A memorandum setting forth certain information concerning the Commercial Paper Notes and, unless the Commercial

Paper Notes are exempt from the registration requirements of the 1933 Act by Section 3(a)(3) thereof, the restrictions on resale of the Commercial Paper Notes (such memorandum, as amended, supplemented or otherwise modified from time to time, the "Private Placement Memorandum") shall be prepared in accordance with the provisions of section 5 hereof and made available to each purchaser or prospective purchaser of a Commercial Paper Note. The Private Placement Memorandum will also contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the CP Issuer and its agents and the Dealer concerning the offering of the Commercial Paper Notes and to obtain additional relevant information which the CP Issuer and its agents or the Dealer possesses or can acquire without unreasonable effort or expense, which information, if requested in writing by a Qualified Institutional Buyer, will satisfy the requirements of paragraph (d) of Rule 144A. Interim Private Placement Memoranda, setting forth interim information with respect to the transactions contemplated by the Facilities Documents in summary form, may also be prepared and distributed to Persons that agree on terms satisfactory to the CP Issuer to keep such information contained therein as confidential.

(v) If at any time during the term of this Agreement, any event occurs or circumstances exist as a result of which any then current Offering Materials (hereinafter defined) would include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, the CP Issuer will promptly notify the Dealer in writing. Prior to any offer or sale of Commercial Paper Notes, the Dealer shall, with the cooperation of the CP Issuer, have the right to make such reasonable due diligence investigation of the business of the CP Issuer as is usual in the course of continuous offerings of debt instruments having maturities at the time

of issuance of not more than 270 days made by comparable issuers.

(vi) The Dealer shall not be liable or responsible for any inaccuracy in any Offering Materials except for any inaccuracy contained in the written information furnished by the Dealer expressly for inclusion in such materials as set forth in a letter delivered by the Dealer to the CP Issuer.

(vii) The Dealer shall not be liable or responsible to the CP Issuer for any losses, damages or liabilities suffered or incurred by the CP Issuer, including any losses, damages or liabilities under the 1933 Act, arising from or relating to any resale or transfer of a Commercial Paper Note other than to or through the Dealer or approved by the Dealer as contemplated by Section 3(f)(v) hereof.

4. Representations and Warranties. The CP Issuer represents and warrants that:

(a) it is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware and it has all requisite corporate power and authority to own its property, to carry on its business as presently being conducted, to execute and deliver the CP Agreements and the Commercial Paper Notes, and to perform and observe the conditions hereof and thereof;

(b) the execution, delivery and performance of the CP Agreements and the issuance and sale of the Commercial Paper Notes have been duly authorized by it, and the CP Agreements have been executed and delivered by the CP Issuer and constitute, and when the Certificated Notes have been duly executed by it and countersigned and delivered by the Depositary or when the BEO Notes have been properly registered through the facilities of DTC, as applicable, against payment therefor, such Commercial Paper Notes will constitute, legal, valid and binding obligations, enforceable against the CP Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement

of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or equity);

(c) no consent or action of, or filing or registration with, any governmental or public regulatory body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery or performance of the CP Agreements or the Commercial Paper Notes, except such as have already been obtained;

(d) neither the execution and delivery by it of the CP Agreements or the Commercial Paper Notes, nor the fulfillment of or compliance with the terms and provisions hereof or thereof will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of its properties or assets other than any Liens created pursuant to the Depositary Agreement and the Security Agreement, or (ii) violate any of the terms of its charter documents or by-laws, any contract or instrument to which it is a party or to which it or its property is bound, or any law or regulation or any order, writ, injunction or decree of any court or Governmental Authority, to which it is subject or by which it or its property is bound;

(e) neither registration of the Commercial Paper Notes under the 1933 Act nor qualification of an indenture under the Trust Indenture Act of 1939, as amended, with respect to the Commercial Paper Notes will be required in connection with the offer, issuance, sale or delivery of the Commercial Paper Notes in accordance with the terms hereof and of the Depositary Agreement (provided that this representation shall not be deemed to have been breached if any actions are taken by the Dealer which would prevent the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(3) or 4(2) from being available);

(f) it is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Act;

(g) except as otherwise disclosed in the Private Placement Memorandum, there are no actions, suits, proceedings, or investigations pending or, to its knowledge, threatened against it or any of its officers,

directors or persons who control it (within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act")) or to which any property of it is subject, that are reasonably likely to be determined so as to materially and adversely affect its execution, delivery or performance of the CP Agreements or the Commercial Paper Notes;

(h) no proceeds from the Commercial Paper Notes shall be used to purchase or carry Margin Stock;

(i) the CP Issuer shall give the Dealer notice of any amendment, modification, supplement or waiver to the CP Agreements or the other Facilities Documents promptly upon receipt thereof;

(j) on the date hereof, the CP Issuer shall furnish to the Dealer executed copies of the CP Agreements and the other Facilities Documents, a certified copy of board resolutions approving the documents and the transactions contemplated by the CP Agreements and an opinion of counsel in form and scope satisfactory to the Dealer;

(k) the Private Placement Memorandum dated January 1993 (excluding any written information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Private Placement Memorandum) does not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(l) all representations and warranties of the CP Issuer in the Depositary Agreement and the Liquidity Agreement are true and correct as of the date such representations and warranties are made.

5. Offering Materials. (a) The CP Issuer understands that, in connection with the sale of the Commercial Paper Notes, certain materials relating to the CP Issuer and the Facilities Documents may be prepared, including the Private Placement Memorandum (collectively referred to herein as the "Offering Materials"), which may be distributed to account executives of the Dealer, and purchasers and prospective purchasers of the Commercial Paper Notes. To assist the Dealer's normal credit

review procedures, the CP Issuer shall provide the Dealer within 120 days after the end of each Fiscal Year with copies of the CP Issuer's balance sheet and related statement of income and cash flows, showing the financial condition of the CP Issuer as of the close of such Fiscal Year and the results of its operations during such Fiscal Year, all audited by independent public accountants of recognized national standing. The CP Issuer represents and warrants to the Dealer that, except as may otherwise be noted therein, the financial statements of the CP Issuer delivered or to be delivered to the Dealer in accordance with this Section 5 are or will be prepared in accordance with generally accepted accounting principles and practices in effect in the United States on the date such statements were or will be prepared and fairly do or will fairly present, in all material respects, the financial condition and operations of the CP Issuer at such date and the results of its operations for the period then ended. In addition, the CP Issuer will provide the Dealer with all reports delivered by the Servicer pursuant to Sections 3.04(c) and 5.02 of the Pooling and Servicing Agreement, promptly after delivery thereof by the Servicer, and with such other information as the Dealer may reasonably request, solely for the purpose of its ongoing credit review of the CP Issuer, the Trust and the Receivables. The Dealer shall not reveal to any person any information furnished by the CP Issuer pursuant to this Section 5(a) unless it shall have received permission from the CP Issuer to do so; provided, however, that it may release any such information without such permission if such information shall be included in any public filing made with the Securities and Exchange Commission. If the Dealer shall have doubts regarding whether any such information is part of any such filing, it shall request instructions regarding such matter from the CP Issuer.

(b) The Dealer will not use any Offering Materials that have not been either furnished or approved by the CP Issuer. Any delivery of Offering Materials by the CP Issuer to the Dealer and any other approval of the Offering Materials by the CP Issuer shall be deemed to be a representation by the CP Issuer that the Offering Materials (excluding any information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Offering Materials) so furnished or approved do not contain an untrue statement of a material fact or

omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. If, at any time during the term of this Agreement, any event occurs or circumstances exist as a result of which (i) any then current Offering Materials (excluding any information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Offering Materials) would include such an untrue statement of a material fact or omission of a material fact necessary in order to make the statements therein, in light of circumstances under which they are made, not misleading or (ii) any financial statements furnished to the Dealer pursuant to Section 5(a) hereof would be rendered materially untrue or misleading, the CP Issuer will promptly notify the Dealer and provide the Dealer with revised information that corrects such untrue or misleading statement or omission.

(c) The CP Issuer recognizes that, subject to Section 5(b) and Section 9 hereof, the Dealer shall not be responsible for any inaccuracy in any Offering Materials furnished or approved by the CP Issuer in accordance with Section 5(b).

6. Repetition of Representations and Warranties. Each sale of Commercial Paper Notes by the CP Issuer hereunder shall be deemed to be a representation and warranty by the CP Issuer that: (a) the representations, warranties and covenants of the CP Issuer contained in Sections 4 and 5(a) and (b) of this Agreement are true and correct on and as of the date of such sale; and (b) since the date of the most recent Offering Materials approved by the CP Issuer in accordance with Section 5(b), there has been no material adverse change in the financial condition or operations of the CP Issuer which has not been disclosed to the Dealer in writing.

7. Conditions Precedent to Dealer's Obligations. As conditions precedent to any obligations of the Dealer hereunder, the CP Issuer shall cause to be furnished to the Dealer the following documents, which documents shall have been executed by and delivered to the parties thereto and which shall be in full force and effect, in form and substance satisfactory to the Dealer: (a) a true and complete copy of the Depositary Agreement and the other Facilities Documents; (b) a certified copy of resolutions, duly adopted by the Board of Directors of

the CP Issuer, authorizing the execution, delivery and performance of the CP Agreements and the issuance and sale of the Commercial Paper Notes; (c) a certificate as to the incumbency of the Authorized Agents and Authorized Representatives of the CP Issuer; (d) an opinion of counsel to the CP Issuer setting forth those matters as the Dealer shall reasonably request; (e) true and correct copies of all correspondence from the rating agencies to the CP Issuer assigning the ratings to the Commercial Paper Notes required by the Facilities Documents; (f) copies of any and all opinions rendered by counsel to the Depositary under the Depositary Agreement and counsel to the Liquidity Agent under the Liquidity Agreement; and (g) such other documents as the Dealer shall reasonably request. The acceptance by the CP Issuer of proceeds from each sale of Commercial Paper Notes hereunder shall be deemed to constitute a representation and warranty by the CP Issuer that the certificate referred to in clause (b) of this Section 7 is accurate and complete and that such resolutions are in full force and effect, in each case, as of the date of such acceptance of proceeds.

8. Covenants of the CP Issuer. The CP Issuer covenants and agrees that:

(a) The CP Issuer shall notify the Dealer of any amendment, supplement, rider or waiver to or under any of the Facilities Documents, regardless of the impact thereof on the rating of the Commercial Paper Notes, at the same time approval thereof is requested from the Liquidity Agent and the rating agencies rating the Commercial Paper Notes. For the benefit of the Dealer and the holders from time to time of the Commercial Paper Notes, the CP Issuer shall not permit to become effective or consent to any amendment, supplement, rider or waiver to or under any of the Facilities Documents which could reasonably be expected to materially adversely affect the interests of the Dealer (unless the Dealer consents thereto) or the holders of Commercial Paper Notes then outstanding until all such Commercial Paper Notes have been paid in full or all holders thereof have agreed that they will not request the Dealer to purchase such Commercial Paper Notes as a result of the implementation of such change.

(b) The CP Issuer shall furnish prior notice to the Dealer of any proposed resignation, termi-

nation or replacement of the Depositary about which it has prior knowledge.

(c) The CP Issuer shall comply fully with the agreements made by it in the Liquidity Agreement and the other Facilities Documents and further agrees to furnish promptly to the Dealer copies of all notices, financial statements, information and other documents given or delivered to or by the Liquidity Agent or any Bank under the Liquidity Agreement which could reasonably be expected to materially adversely affect the interests of the Dealer or any holder of any Commercial Paper Note then outstanding. Without limiting the foregoing, the CP Issuer agrees to (i) furnish immediately after becoming aware thereof, telephonic notice to the Dealer (confirmed immediately thereafter in writing) of any event or events which would result (A) in a Series 1992-3 Pay Out Event under the Series 1992-3 Variable Funding Supplement of the Pooling and Servicing Agreement (the "Variable Funding Supplement"), (B) in reduction, termination or extension of the Liquidity Commitment under the Liquidity Agreement, (C) (with or without the giving of notice or lapse of time or both) in a Matured Default under Section 8.01 of the Liquidity Agreement, or (D) an extension of the Revolving Period under the Variable Funding Supplement, (ii) immediately furnish telephonic notice to the Dealer (confirmed immediately thereafter in writing) of any instructions given by the Liquidity Agent pursuant to the Liquidity Agreement to cease issuing and delivering Commercial Paper Notes and (iii) promptly furnish to the Dealer a copy of any notice, report or other information delivered to or from any rating agency in connection with the Commercial Paper Notes.

9. Indemnification. The CP Issuer will indemnify and hold harmless the Dealer, any persons who controls (within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act) the Dealer, any Affiliate of any such person or the Dealer and their respective directors, officers, incorporators, shareholders, partners, employees and agents (each, an "Indemnified Party") against any and all liabilities, losses, damages, claims, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel), or judgment of whatever kind and nature, imposed on, incurred by or asserted against any Indemnified Party in connection with the performance of the Dealer's obligations hereunder and (a) arising out of or based upon any allegation that any

Offering Materials or any information provided in writing by the CP Issuer to the Dealer hereunder include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (b) arising out of the breach by the CP Issuer of any agreement or representation or warranty made or deemed made pursuant to this Agreement, (c) arising out of or relating in any way to the CP Agreements, the Liquidity Agreement and the agreements executed and delivered in connection therewith, (d) arising out of or based upon the issuance of the Commercial Paper Notes or the transactions contemplated hereby or based upon the 1933 Act, the 1934 Act or the Investment Company Act of 1940, as amended; provided, however, that the foregoing indemnity shall not extend to any liabilities to the extent they arise from the inclusion of an untrue statement of a material fact or omission of any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any information in the Offering Materials furnished in writing by the Dealer expressly for inclusion therein or any action or inaction by the Dealer or any of its officers, employees or other representatives constituting a violation of any state or federal law (including common law fraud).

It is agreed, however, that the obligations of the CP Issuer under this Section 9 shall not extend to any liability of the Indemnified Party arising out of (i) any untrue statement by the Indemnified Party (whether written or oral) of a fact in connection with the issue and sale of the Notes or any omission by the Indemnified Party to state a fact necessary to make any statement by the Indemnified Party, in light of the circumstances under which it was made, not misleading, in connection with the issue and sale of the Notes, unless such untrue statement or omission arises from information which was included in, or should have been included in, the Offering Materials, or (ii) the Indemnified Party's gross negligence or willful misconduct in the performance of its obligations under this Agreement or any default or failure of the Indemnified Party to perform its obligations under this Agreement or any breach by the Indemnified Party of its obligations under this Agreement. To provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 9 is for any reason held unavailable other than

as expressly provided above, the CP Issuer and the Indemnified Party shall contribute to the aggregate costs of satisfying such liability in the proportion that the net amount received by each of the CP Issuer and the Indemnified Party, respectively, from the sale of the Commercial Paper Notes bears to the aggregate amount received by both the CP Issuer and the Indemnified Party from the sale of the Commercial Paper Notes. The obligations of the CP Issuer to the Indemnified Party under this Section 9 shall survive the termination of this Agreement in the offer and sale of the Notes.

10. Payment and Delivery. Payment for and delivery of Commercial Paper Notes sold pursuant to this Agreement shall be made in accordance with the Depositary Agreement.

11. Guaranty of Certain Obligations. Federated unconditionally guarantees, as a full recourse obligation, the full and prompt payment of all of the payment obligations of the CP Issuer pursuant to Section 9 hereof but only insofar as the same relate to the matters set forth in clause (a) of the first sentence thereof. The obligations of Federated under this Section 11 shall survive the termination of this Agreement.

12. Notices. All notices required or permitted under the terms and provisions hereof shall be made in writing or by facsimile transmission, other than the notices pursuant to Section 3(d) and Section 8(c) hereof which may be made by telephonic communication and followed up later that day in writing or by facsimile transmission, and shall, unless otherwise provided for herein, be effective when received at the address specified below each party's signature hereon or at such other address as shall be specified in a notice furnished hereunder.

13. Governing Law. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

14. Termination. This Agreement may be terminated under the following circumstances: (i) at any time, by the CP Issuer or the Dealer, upon at least 30 days' written notice or (ii) by the Dealer upon notice to the CP Issuer that an Event of Default under the Liquidity Agreement shall have occurred and continued unremit-

died for more than 15 consecutive days; provided, however, that any such termination shall not affect the obligations of the parties hereunder with respect to Commercial Paper Notes unpaid at the time of such termination or with respect to actions or events occurring prior to such termination; and provided, further, that the reimbursement and indemnification provisions hereof shall survive any such termination.

15. Assignments. Neither party to this Agreement may assign, either in whole or in part, any of its rights or obligations under this Agreement without the prior written consent of the other party hereto, and any such assignment without such consent shall be null and void; provided, however, that the Dealer may assign or transfer, either in whole or in part, any of its rights or obligations under this Agreement to any Affiliate of the Dealer, upon at least 30 days' prior written notice to the CP Issuer; provided, further, that no such assignment or transfer will relieve the Dealer of any liability or obligation hereunder.

16. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together, shall constitute one and the same instrument and any party hereto may execute this Agreement by signing one or more counterparts.

17. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings between the parties.

18. Captions. The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

19. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity of such provisions in any other jurisdiction.

20. No Bankruptcy Petition Against the CP Issuer. The Dealer hereby covenants and agrees that

prior to the date which is one year and one day after the indefeasible payment in full in cash of all outstanding Commercial Paper, Loan Notes and other obligations owing to the Secured Parties, it will not institute against, or join any other Person in instituting against, the CP Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

21. No Recourse. The obligations of the CP Issuer under this Agreement are solely the corporate obligations of the CP Issuer. No recourse shall be had for the payment of any amount owing in respect to Section 9 hereof or for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement against any shareholder, employee, officer, director or incorporator of the CP Issuer.

22. Limited Recourse to CP Issuer. The Dealer agrees that the obligations of the CP Issuer to the Dealer hereunder, including without limitation the obligation of the CP Issuer in respect of fees and indemnity pursuant to Section 9, shall be payable solely from the Collateral in accordance with the Security Agreement and that the Dealer shall not look to any other property or assets of the CP Issuer in respect of such obligations and that such obligations shall not constitute a claim against the CP Issuer in the event that the CP Issuer's assets are insufficient to pay in full such obligations and that such obligations are fully subordinated to the CP Issuer's obligations under the Commercial Paper and the Loan Notes.

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

DEERFIELD FUNDING CORPORATION

By:

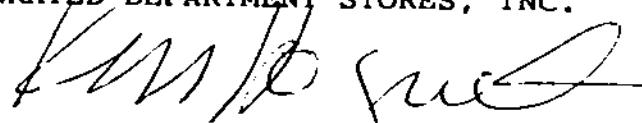


Name: Karen M. Hoguet
Title: Chairman of the Board

Deerfield Funding Corporation
4705 Duke Drive
Mason, Ohio 45040
Attention: Susan R. Robinson
Telephone No.: (513) 573-2043
Facsimile No.: (513) 573-2039

FEDERATED DEPARTMENT STORES, INC.

By:



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

Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Telephone No.: (513) 579-7000
Facsimile No.: (513) 579-7555

GOLDMAN SACHS MONEY MARKETS, L.P.,
a Delaware limited partnership

By GSMM Corp., its sole general
partner

By: GSMM Corp. Authorized Officer

By: Charles B. Mayer Jr.
GSMM Corp. Authorized Officer

Goldman Sachs Money Markets, L.P.
85 Broad Street
New York, New York 10004
Attention: David Keller,
Commercial Paper Audit Department
Tel. No. (212) 902-3693
Telecopy No. (212) 363-7609

EXHIBIT 10.19

Commercial Paper Dealer Agreement

THIS COMMERCIAL PAPER DEALER AGREEMENT, dated as of December 31, 1992 (this "Agreement"), among Shearson Lehman Brothers Inc., a Delaware corporation (the "Dealer"), DEERFIELD FUNDING CORPORATION, a Delaware corporation (the "CP Issuer") and FEDERATED DEPARTMENT STORES, INC., a Delaware corporation ("Federated"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned to them in Annex X to the Liquidity Agreement, dated as of the date hereof (the "Liquidity Agreement"), among the CP Issuer, Federated, the Banks named therein (collectively, the "Banks"), and Credit Suisse, New York Branch, as agent for the Banks (in such capacity, the "Liquidity Agent") and, if not defined herein or in Annex X to the Liquidity Agreement, the meanings assigned to such terms in the Pooling and Servicing Agreement and the Variable Funding Supplement, which definitions are incorporated by reference herein.

WHEREAS, the CP Issuer is a special purpose corporation and desires to issue and sell its asset-backed short-term promissory notes pursuant to the Depositary Agreement dated as of the date hereof (the "Depositary Agreement") between the CP Issuer and Chemical Bank as depositary and issuing and paying agent (the "Depositary") and supported by the Liquidity Agreement in the United States commercial paper market on a private placement basis; and

WHEREAS, the CP Issuer has requested that the Dealer act as commercial paper dealer in connection with the offer and sale of the Commercial Paper Notes and the Dealer has indicated its willingness to do so on the terms and conditions contained herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, the Dealer, the CP Issuer, and Federated hereby agree as follows:

1. Commercial Paper Notes. The term "Commercial Paper Notes" means asset-backed short-term promissory notes to be issued by the CP Issuer, each such Commercial Paper Note (a) having a maturity at the time of issuance of not more than 270 days and (b) not containing any provision for extension, renewal or automatic "roll-over". The Commercial Paper Notes will be issued in such

face amounts (but not less than \$200,000 each (\$10,000 if purchased by the Dealer for its own account) and integral multiples of \$1,000 in excess thereof) and will be sold at such discounts from their CP Matured Values as shall be approved by the CP Issuer. No interest-bearing Commercial Paper Notes will be issued.

2. Appointment of Dealer. The CP Issuer hereby appoints the Dealer to be a placement agent in respect of the Commercial Paper Notes and the Dealer accepts such appointment subject to the terms and conditions set forth herein. Although (a) the CP Issuer has and shall have no obligation to sell, or arrange for the sale of, Commercial Paper Notes through the Dealer, and (b) the Dealer may, but has no and shall have no obligation to purchase Commercial Paper Notes as principal for its own account or for resale for the account of the CP Issuer, the parties hereto agree that any purchase of, or arrangement for the sale of, Commercial Paper Notes made by the Dealer will be made in reliance on, among other things, the representations, warranties, covenants and agreements of the CP Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein. Subject to the foregoing, the Dealer will use its best efforts to arrange sales of Commercial Paper Notes in the amounts requested by the CP Issuer. From time to time, the CP Issuer shall give the Dealer written notice of the entity serving as the Depository.

3. Issuance of Commercial Paper Notes.

(a) Prior to or on the date of a proposed issuance of Commercial Paper Notes, the Dealer and the CP Issuer shall confer as to the face amounts, maturities and denominations of the Commercial Paper Notes, the applicable discounts from the CP Matured Values at which the Commercial Paper Notes are to be issued and whether such Commercial Paper Notes are to be issued in certificated or book-entry-only form. When the Dealer and the CP Issuer have mutually agreed on the financial terms of the Commercial Paper Notes, including appropriate compensation for the Dealer's services hereunder, the Dealer will instruct the Depository to deliver either (i) duly executed and countersigned Certificated Notes to the persons specified by the Dealer on the date of issuance or (ii) BEO Notes through the book-entry-only program of DTC in the name of the persons specified by the Dealer on the date of issuance, as appropriate.

(b) The authentication and delivery of Certificated Notes and the issuance of BEO Notes through the facilities of DTC by the Depositary pursuant to the Depositary Agreement (referred to collectively with this Agreement as the "CP Agreements") shall constitute the issuance of such Commercial Paper Notes by the CP Issuer. All Certificated Notes issued shall be in conformity with the applicable provisions of the Depositary Agreement and the Liquidity Agreement. The CP Issuer shall deliver Certificated Notes signed by the CP Issuer to the Depositary and instructions shall be delivered to the Depositary to complete, authenticate and deliver such Certificated Notes in the manner prescribed in the Depositary Agreement. The Dealer shall be entitled to compensation (the "Dealer Fee") at such rates and paid in such manner as the CP Issuer and the Dealer shall from time to time agree and to reimbursement for its reasonable out-of-pocket costs and expenses (including reasonable legal fees and disbursements) in connection with the preparation of this Agreement and the transactions contemplated hereby.

(c) At or prior to 12:00 p.m. (New York City time) on any Business Day on which the Dealer shall have determined, in its sole judgment, that no market exists for the Commercial Paper Notes, the Dealer shall provide notice to the Depositary and the CP Issuer of such occurrence.

(d) If the Dealer receives, after 12:00 p.m. (New York City time) on any date of proposed issuance of Commercial Paper Notes instructions then in effect from the Liquidity Agent, that the Depositary shall not issue or deliver Commercial Paper Notes, then the Dealer shall at that point in time use its best efforts to stop any further sales of Commercial Paper Notes as soon as practicable and shall, in any event, stop such sales by the close of business on such day.

(e) The offer and sale of the Commercial Paper Notes by the CP Issuer is to be effected pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act"), provided either by Section 3(a)(3) or by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. Unless the Commercial Paper Notes are so exempt by reason of said Section 3(a)(3), offers and sales of the Commercial Paper Notes

by the Dealer on behalf of the CP Issuer will be made only to "accredited investors" (as such term is defined in Rule 501 under the 1933 Act) in accordance with the general provisions of Rule 506 under the 1933 Act.

(f) The CP Issuer and the Dealer agree to adhere to the following procedures in connection with the offer and sale or resale of the Commercial Paper Notes:

(i) The Commercial Paper Notes will not be offered or sold by any means of general solicitation or general advertising.

(ii) No sale of the Commercial Paper Notes to any one purchaser will be for less than \$200,000 face amount (\$10,000 face amount if purchased by the Dealer for its own account) and no Commercial Paper Note will be issued in a smaller face amount.

(iii) Unless the Commercial Paper Notes are exempt from the registration requirements of the 1933 Act by Section 3(a)(3) thereof, each Certificated Note shall contain the legend set forth on the form of such Certificated Note attached hereto as Exhibit A, stating in effect that (w) the Commercial Paper Notes have not been registered under the 1933 Act, (x) any sales of the Commercial Paper Notes may be made only to institutional investors approved as Accredited Investors by the Dealer, (y) any purchaser, by its acceptance of a Commercial Paper Note, represents that the Note is being acquired for investment and not with a view to, or for sale in connection with, any distribution thereof and (z) any resale of a Note may be made only to the Dealer, through the Dealer to an institutional investor approved by the Dealer as an Accredited Investor or Qualified Institutional Buyer, directly to an Accredited Investor in a transaction approved by the Dealer, or directly to a Qualified Institutional Buyer in a transaction made pursuant to Rule 144A.

(iv) A memorandum setting forth certain information concerning the Commercial Paper Notes and, unless the Commercial

Paper Notes are exempt from the registration requirements of the 1933 Act by Section 3(a)(3) thereof, the restrictions on resale of the Commercial Paper Notes (such memorandum, as amended, supplemented or otherwise modified from time to time, the "Private Placement Memorandum") shall be prepared in accordance with the provisions of section 5 hereof and made available to each purchaser or prospective purchaser of a Commercial Paper Note. The Private Placement Memorandum will also contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the CP Issuer and its agents and the Dealer concerning the offering of the Commercial Paper Notes and to obtain additional relevant information which the CP Issuer and its agents or the Dealer possesses or can acquire without unreasonable effort or expense, which information, if requested in writing by a Qualified Institutional Buyer, will satisfy the requirements of paragraph (d) of Rule 144A. Interim Private Placement Memoranda, setting forth interim information with respect to the transactions contemplated by the Facilities Documents in summary form, may also be prepared and distributed to Persons that agree on terms satisfactory to the CP Issuer to keep such information contained therein as confidential.

(v) If at any time during the term of this Agreement, any event occurs or circumstances exist as a result of which any then current Offering Materials (hereinafter defined) would include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, the CP Issuer will promptly notify the Dealer in writing. Prior to any offer or sale of Commercial Paper Notes, the Dealer shall, with the cooperation of the CP Issuer, have the right to make such reasonable due diligence investigation of the business of the CP Issuer as is usual in the course of continuous offerings of debt instruments having maturities at the time

of issuance of not more than 270 days made by comparable issuers.

(vi) The Dealer shall not be liable or responsible for any inaccuracy in any Offering Materials except for any inaccuracy contained in the written information furnished by the Dealer expressly for inclusion in such materials as set forth in a letter delivered by the Dealer to the CP Issuer.

(vii) The Dealer shall not be liable or responsible to the CP Issuer for any losses, damages or liabilities suffered or incurred by the CP Issuer, including any losses, damages or liabilities under the 1933 Act, arising from or relating to any resale or transfer of a Commercial Paper Note other than to or through the Dealer or approved by the Dealer as contemplated by Section 3(f)(v) hereof.

4. Representations and Warranties. The CP Issuer represents and warrants that:

(a) it is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware and it has all requisite corporate power and authority to own its property, to carry on its business as presently being conducted, to execute and deliver the CP Agreements and the Commercial Paper Notes, and to perform and observe the conditions hereof and thereof;

(b) the execution, delivery and performance of the CP Agreements and the issuance and sale of the Commercial Paper Notes have been duly authorized by it, and the CP Agreements have been executed and delivered by the CP Issuer and constitute, and when the Certificated Notes have been duly executed by it and countersigned and delivered by the Depositary or when the BEO Notes have been properly registered through the facilities of DTC, as applicable, against payment therefor, such Commercial Paper Notes will constitute, legal, valid and binding obligations, enforceable against the CP Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement

of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or equity);

(c) no consent or action of, or filing or registration with, any governmental or public regulatory body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery or performance of the CP Agreements or the Commercial Paper Notes, except such as have already been obtained;

(d) neither the execution and delivery by it of the CP Agreements or the Commercial Paper Notes, nor the fulfillment of or compliance with the terms and provisions hereof or thereof will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of its properties or assets other than any Liens created pursuant to the Depositary Agreement and the Security Agreement, or (ii) violate any of the terms of its charter documents or by-laws, any contract or instrument to which it is a party or to which it or its property is bound, or any law or regulation or any order, writ, injunction or decree of any court or Governmental Authority, to which it is subject or by which it or its property is bound;

(e) neither registration of the Commercial Paper Notes under the 1933 Act nor qualification of an indenture under the Trust Indenture Act of 1939, as amended, with respect to the Commercial Paper Notes will be required in connection with the offer, issuance, sale or delivery of the Commercial Paper Notes in accordance with the terms hereof and of the Depositary Agreement (provided that this representation shall not be deemed to have been breached if any actions are taken by the Dealer which would prevent the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(3) or 4(2) from being available);

(f) it is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Act;

(g) except as otherwise disclosed in the Private Placement Memorandum, there are no actions, suits, proceedings, or investigations pending or, to its knowledge, threatened against it or any of its officers,

directors or persons who control it (within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act")) or to which any property of it is subject, that are reasonably likely to be determined so as to materially and adversely affect its execution, delivery or performance of the CP Agreements or the Commercial Paper Notes;

(h) no proceeds from the Commercial Paper Notes shall be used to purchase or carry Margin Stock;

(i) the CP Issuer shall give the Dealer notice of any amendment, modification, supplement or waiver to the CP Agreements or the other Facilities Documents promptly upon receipt thereof;

(j) on the date hereof, the CP Issuer shall furnish to the Dealer executed copies of the CP Agreements and the other Facilities Documents, a certified copy of board resolutions approving the documents and the transactions contemplated by the CP Agreements and an opinion of counsel in form and scope satisfactory to the Dealer;

(k) the Private Placement Memorandum dated January 1993 (excluding any written information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Private Placement Memorandum; does not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(l) all representations and warranties of the CP Issuer in the Depositary Agreement and the Liquidity Agreement are true and correct as of the date such representations and warranties are made.

5. Offering Materials. (a) The CP Issuer understands that, in connection with the sale of the Commercial Paper Notes, certain materials relating to the CP Issuer and the Facilities Documents may be prepared, including the Private Placement Memorandum (collectively referred to herein as the "Offering Materials"), which may be distributed to account executives of the Dealer, and purchasers and prospective purchasers of the Commercial Paper Notes. To assist the Dealer's normal credit

review procedures, the CP Issuer shall provide the Dealer within 120 days after the end of each Fiscal Year with copies of the CP Issuer's balance sheet and related statement of income and cash flows, showing the financial condition of the CP Issuer as of the close of such Fiscal Year and the results of its operations during such Fiscal Year, all audited by independent public accountants of recognized national standing. The CP Issuer represents and warrants to the Dealer that, except as may otherwise be noted therein, the financial statements of the CP Issuer delivered or to be delivered to the Dealer in accordance with this Section 5 are or will be prepared in accordance with generally accepted accounting principles and practices in effect in the United States on the date such statements were or will be prepared and fairly do or will fairly present, in all material respects, the financial condition and operations of the CP Issuer at such date and the results of its operations for the period then ended. In addition, the CP Issuer will provide the Dealer with all reports delivered by the Servicer pursuant to Sections 3.04(c) and 5.02 of the Pooling and Servicing Agreement, promptly after delivery thereof by the Servicer, and with such other information as the Dealer may reasonably request, solely for the purpose of its ongoing credit review of the CP Issuer, the Trust and the Receivables. The Dealer shall not reveal to any person any information furnished by the CP Issuer pursuant to this Section 5(a) unless it shall have received permission from the CP Issuer to do so; provided, however, that it may release any such information without such permission if such information shall be included in any public filing made with the Securities and Exchange Commission. If the Dealer shall have doubts regarding whether any such information is part of any such filing, it shall request instructions regarding such matter from the CP Issuer.

(b) The Dealer will not use any Offering Materials that have not been either furnished or approved by the CP Issuer. Any delivery of Offering Materials by the CP Issuer to the Dealer and any other approval of the Offering Materials by the CP Issuer shall be deemed to be a representation by the CP Issuer that the Offering Materials (excluding any information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Offering Materials) so furnished or approved do not contain an untrue statement of a material fact or

omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. If, at any time during the term of this Agreement, any event occurs or circumstances exist as a result of which (i) any then current Offering Materials (excluding any information furnished by the Dealer expressly for inclusion therein as set forth in a letter delivered by the Dealer to the CP Issuer dated the date of the Offering Materials) would include such an untrue statement of a material fact or omission of a material fact necessary in order to make the statements therein, in light of circumstances under which they are made, not misleading or (ii) any financial statements furnished to the Dealer pursuant to Section 5(a) hereof would be rendered materially untrue or misleading, the CP Issuer will promptly notify the Dealer and provide the Dealer with revised information that corrects such untrue or misleading statement or omission.

(c) The CP Issuer recognizes that, subject to Section 5(b) and Section 9 hereof, the Dealer shall not be responsible for any inaccuracy in any Offering Materials furnished or approved by the CP Issuer in accordance with Section 5(b).

6. Repetition of Representations and Warranties. Each sale of Commercial Paper Notes by the CP Issuer hereunder shall be deemed to be a representation and warranty by the CP Issuer that: (a) the representations, warranties and covenants of the CP Issuer contained in Sections 4 and 5(a) and (b) of this Agreement are true and correct on and as of the date of such sale; and (b) since the date of the most recent Offering Materials approved by the CP Issuer in accordance with Section 5(b), there has been no material adverse change in the financial condition or operations of the CP Issuer which has not been disclosed to the Dealer in writing.

7. Conditions Precedent to Dealer's Obligations. As conditions precedent to any obligations of the Dealer hereunder, the CP Issuer shall cause to be furnished to the Dealer the following documents, which documents shall have been executed by and delivered to the parties thereto and which shall be in full force and effect, in form and substance satisfactory to the Dealer: (a) a true and complete copy of the Depositary Agreement and the other Facilities Documents; (b) a certified copy of resolutions, duly adopted by the Board of Directors of

the CP Issuer, authorizing the execution, delivery and performance of the CP Agreements and the issuance and sale of the Commercial Paper Notes; (c) a certificate as to the incumbency of the Authorized Agents and Authorized Representatives of the CP Issuer; (d) an opinion of counsel to the CP Issuer setting forth those matters as the Dealer shall reasonably request; (e) true and correct copies of all correspondence from the rating agencies to the CP Issuer assigning the ratings to the Commercial Paper Notes required by the Facilities Documents; (f) copies of any and all opinions rendered by counsel to the Depositary under the Depositary Agreement and counsel to the Liquidity Agent under the Liquidity Agreement; and (g) such other documents as the Dealer shall reasonably request. The acceptance by the CP Issuer of proceeds from each sale of Commercial Paper Notes hereunder shall be deemed to constitute a representation and warranty by the CP Issuer that the certificate referred to in clause (b) of this Section 7 is accurate and complete and that such resolutions are in full force and effect, in each case, as of the date of such acceptance of proceeds.

8. Covenants of the CP Issuer. The CP Issuer covenants and agrees that:

(a) The CP Issuer shall notify the Dealer of any amendment, supplement, rider or waiver to or under any of the Facilities Documents, regardless of the impact thereof on the rating of the Commercial Paper Notes, at the same time approval thereof is requested from the Liquidity Agent and the rating agencies rating the Commercial Paper Notes. For the benefit of the Dealer and the holders from time to time of the Commercial Paper Notes, the CP Issuer shall not permit to become effective or consent to any amendment, supplement, rider or waiver to or under any of the Facilities Documents which could reasonably be expected to materially adversely affect the interests of the Dealer (unless the Dealer consents thereto) or the holders of Commercial Paper Notes then outstanding until all such Commercial Paper Notes have been paid in full or all holders thereof have agreed that they will not request the Dealer to purchase such Commercial Paper Notes as a result of the implementation of such change.

(b) The CP Issuer shall furnish prior notice to the Dealer of any proposed resignation, termi-

nation or replacement of the Depository about which it has prior knowledge.

(c) The CP Issuer shall comply fully with the agreements made by it in the Liquidity Agreement and the other Facilities Documents and further agrees to furnish promptly to the Dealer copies of all notices, financial statements, information and other documents given or delivered to or by the Liquidity Agent or any Bank under the Liquidity Agreement which could reasonably be expected to materially adversely affect the interests of the Dealer or any holder of any Commercial Paper Note then outstanding. Without limiting the foregoing, the CP Issuer agrees to (i) furnish immediately after becoming aware thereof, telephonic notice to the Dealer (confirmed immediately thereafter in writing) of any event or events which would result (A) in a Series 1992-3 Pay Out Event under the Series 1992-3 Variable Funding Supplement of the Pooling and Servicing Agreement (the "Variable Funding Supplement"), (B) in reduction, termination or extension of the Liquidity Commitment under the Liquidity Agreement, (C) (with or without the giving of notice or lapse of time or both) in a Matured Default under Section 8.01 of the Liquidity Agreement, or (D) an extension of the Revolving Period under the Variable Funding Supplement, (ii) immediately furnish telephonic notice to the Dealer (confirmed immediately thereafter in writing) of any instructions given by the Liquidity Agent pursuant to the Liquidity Agreement to cease issuing and delivering Commercial Paper Notes and (iii) promptly furnish to the Dealer a copy of any notice, report or other information delivered to or from any rating agency in connection with the Commercial Paper Notes.

9. Indemnification. The CP Issuer will indemnify and hold harmless the Dealer, any persons who controls (within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act) the Dealer, any Affiliate of any such person or the Dealer and their respective directors, officers, incorporators, shareholders, partners, employees and agents (each, an "Indemnified Party") against any and all liabilities, losses, damages, claims, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel), or judgment of whatever kind and nature, imposed on, incurred by or asserted against any Indemnified Party in connection with the performance of the Dealer's obligations hereunder and (a) arising out of or based upon any allegation that any

Offering Materials or any information provided in writing by the CP Issuer to the Dealer hereunder include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (b) arising out of the breach by the CP Issuer of any agreement or representation or warranty made or deemed made pursuant to this Agreement, (c) arising out of or relating in any way to the CP Agreements, the Liquidity Agreement and the agreements executed and delivered in connection therewith, (d) arising out of or based upon the issuance of the Commercial Paper Notes or the transactions contemplated hereby or based upon the 1933 Act, the 1934 Act or the Investment Company Act of 1940, as amended; provided, however, that the foregoing indemnity shall not extend to any liabilities to the extent they arise from the inclusion of an untrue statement of a material fact or omission of any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any information in the Offering Materials furnished in writing by the Dealer expressly for inclusion therein or any action or inaction by the Dealer or any of its officers, employees or other representatives constituting a violation of any state or federal law (including common law fraud).

It is agreed, however, that the obligations of the CP Issuer under this Section 9 shall not extend to any liability of the Indemnified Party arising out of (i) any untrue statement by the Indemnified Party (whether written or oral) of a fact in connection with the issue and sale of the Notes or any omission by the Indemnified Party to state a fact necessary to make any statement by the Indemnified Party, in light of the circumstances under which it was made, not misleading, in connection with the issue and sale of the Notes, unless such untrue statement or omission arises from information which was included in, or should have been included in, the Offering Materials, or (ii) the Indemnified Party's gross negligence or willful misconduct in the performance of its obligations under this Agreement or any default or failure of the Indemnified Party to perform its obligations under this Agreement or any breach by the Indemnified Party of its obligations under this Agreement. To provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 9 is for any reason held unavailable other than

as expressly provided above, the CP Issuer and the Indemnified Party shall contribute to the aggregate costs of satisfying such liability in the proportion that the net amount received by each of the CP Issuer and the Indemnified Party, respectively, from the sale of the Commercial Paper Notes bears to the aggregate amount received by both the CP Issuer and the Indemnified Party from the sale of the Commercial Paper Notes. The obligations of the CP Issuer to the Indemnified Party under this Section 9 shall survive the termination of this Agreement in the offer and sale of the Notes.

10. Payment and Delivery. Payment for and delivery of Commercial Paper Notes sold pursuant to this Agreement shall be made in accordance with the Depositary Agreement.

11. Guaranty of Certain Obligations. Federated unconditionally guarantees, as a full recourse obligation, the full and prompt payment of all of the payment obligations of the CP Issuer pursuant to Section 9 hereof but only insofar as the same relate to the matters set forth in clause (a) of the first sentence thereof. The obligations of Federated under this Section 11 shall survive the termination of this Agreement.

12. Notices. All notices required or permitted under the terms and provisions hereof shall be made in writing or by facsimile transmission, other than the notices pursuant to Section 3(d) and Section 8(c) hereof which may be made by telephonic communication and followed up later that day in writing or by facsimile transmission, and shall, unless otherwise provided for herein, be effective when received at the address specified below each party's signature hereon or at such other address as shall be specified in a notice furnished hereunder.

13. Governing Law. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

14. Termination. This Agreement may be terminated under the following circumstances: (i) at any time, by the CP Issuer or the Dealer, upon at least 30 days' written notice or (ii) by the Dealer upon notice to the CP Issuer that an Event of Default under the Liquidity Agreement shall have occurred and continued unremit-

died for more than 15 consecutive days; provided, however, that any such termination shall not affect the obligations of the parties hereunder with respect to Commercial Paper Notes unpaid at the time of such termination or with respect to actions or events occurring prior to such termination; and provided, further, that the reimbursement and indemnification provisions hereof shall survive any such termination.

15. Assignments. Neither party to this Agreement may assign, either in whole or in part, any of its rights or obligations under this Agreement without the prior written consent of the other party hereto, and any such assignment without such consent shall be null and void; provided, however, that the Dealer may assign or transfer, either in whole or in part, any of its rights or obligations under this Agreement to any Affiliate of the Dealer, upon at least 30 days' prior written notice to the CP Issuer; provided, further, that no such assignment or transfer will relieve the Dealer of any liability or obligation hereunder.

16. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together, shall constitute one and the same instrument and any party hereto may execute this Agreement by signing one or more counterparts.

17. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings between the parties.

18. Captions. The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

19. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity of such provisions in any other jurisdiction.

20. No Bankruptcy Petition Against the CP Issuer. The Dealer hereby covenants and agrees that

prior to the date which is one year and one day after the indefeasible payment in full in cash of all outstanding Commercial Paper, Loan Notes and other obligations owing to the Secured Parties, it will not institute against, or join any other Person in instituting against, the CP Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

21. No Recourse. The obligations of the CP Issuer under this Agreement are solely the corporate obligations of the CP Issuer. No recourse shall be had for the payment of any amount owing in respect to Section 9 hereof or for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement against any shareholder, employee, officer, director or incorporator of the CP Issuer.

22. Limited Recourse to CP Issuer. The Dealer agrees that the obligations of the CP Issuer to the Dealer hereunder, including without limitation the obligation of the CP Issuer in respect of fees and indemnity pursuant to Section 9, shall be payable solely from the Collateral in accordance with the Security Agreement and that the Dealer shall not look to any other property or assets of the CP Issuer in respect of such obligations and that such obligations shall not constitute a claim against the CP Issuer in the event that the CP Issuer's assets are insufficient to pay in full such obligations and that such obligations are fully subordinated to the CP Issuer's obligations under the Commercial Paper and the Loan Notes.

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

DEERFIELD FUNDING CORPORATION

By:

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

Deerfield Funding Corporation
4705 Duke Drive
Mason, Ohio 45040
Attention: Susan R. Robinson
Telephone No.: (513) 573-2043
Facsimile No.: (513) 573-2039

FEDERATED DEPARTMENT STORES, INC.

By:

Name: Karen M. Noguet
Title: Senior Vice President of
Planning and Treasurer
Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Telephone No.: (513) 579-7000
Facsimile No.: (513) 579-7555

SHEARSON LEHMAN BROTHERS INC.

By: EJL

Name:

Title:

Shearson Lehman Brothers Inc.
American Express Tower
World Financial Center
New York, New York 10285
Attention: Commercial Paper Product
Management
Tel. No. (212) 640-0262
Telecopy No. (212) 528-6925

EXHIBIT 10.30

SUPPLEMENTARY EXECUTIVE RETIREMENT PLAN

The Supplementary Executive Retirement Plan (the "Supplementary Plan") was adopted by Federated Department Stores, Inc., a Delaware corporation ("Federated"), effective as of January 1, 1984, and the Excess Retirement Benefit Plan (the "Allied Excess Plan") of Allied Stores Corporation was adopted by Allied Stores Corporation, a Delaware corporation ("Allied"), effective as of January 1, 1984. Payments under both said plans were suspended as of January 15, 1990, the date as of which Federated and Allied filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Pursuant to the Third Amended Plan of Reorganization of Federated, Allied and certain of their subsidiaries (the "POR"), among other things, Allied was merged into Federated. The Supplementary Plan is hereby revised and reinstated as of the effective date of the POR (the "Reinstated Effective Date") for executives (i) who participated as active participants in, and who terminate employment after the Reinstated Effective Date with a vested benefit under, the Retirement Income Plan of Federated Department Stores, Inc., or any successor to such plan (the "Federated Plan"), or Part A of the Retirement Benefit and Profit Sharing Investment Program of Allied Stores Corporation, or any successor to such plan (the "Allied Plan"), said Plans being defined benefit plans which are intended to satisfy the requirements of Section 4.01(a) of the

Internal Revenue Code of 1986, as amended (the "Code"), and (ii) whose benefits actually payable under such Plans would reflect one or more of the limitations described in clauses (i) and (ii) of Section 1 of this Reinstated Supplementary Plan (such executives referred to hereafter as "Eligible Executives"). The Supplementary Plan, as hereby revised and reinstated, is hereafter referred to as the "Reinstated Supplementary Plan". The Reinstated Supplementary Plan supersedes and replaces all prior provisions of the Supplementary Plan and the Allied Excess Plan on the terms and subject to the conditions herein set forth.

1.

Purpose

The Reinstated Supplementary Plan shall provide for the payment of supplementary retirement benefits to compensate an Eligible Executive or his Beneficiary (as hereafter defined) for the amount of the reduction, if any, in his benefits under the Federated Plan or Allied Plan on account of the applications of Sections 401(a)(17) or 415 of the Code.

2.

Retirement Benefits

2.1 Benefit Calculation. In the case of any Eligible Executive, the benefit payable under this Reinstated Supplementary Plan shall equal the difference, if any, between (a) and (b), where:

(a) equals the benefit payable pursuant to the Federated Plan regardless of whether the Eligible Executive was a participant under the Federated Plan or the Allied Plan, determined without regard to the limits of Sections 401(a)(17) or 415 of the Code; and

(b) equals the benefit actually payable under the Federated Plan or the Allied Plan.

2.2 Payment of Benefits. Benefits under this Reinstated Supplementary Plan shall be in the same form as, commence at the same time and shall continue on a coterminous basis with the benefits paid under the Federated Plan or the Allied Plan, as the case may be. Benefits hereunder, if any, shall be paid to the Eligible Executive or in the event of the Eligible Executive's death, to the surviving spouse or such other beneficiary of the Eligible Executive to whom payments under the Federated Plan or the Allied Plan would be made following the death of the Eligible Executive (the "Beneficiary").

3.

Source of Benefits

Benefits under this Supplementary Plan shall be paid exclusively from Federated's general assets and shall be allocated to its subsidiaries as appropriate. No Executive or Beneficiary shall have any right or claim to the payment of a benefit hereunder which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of Federated or such subsidiary, as the case may be.

4.

Coordination with Federated and Allied Plans

Federated shall take such action as may be necessary and appropriate so as to coordinate in all respects the payment of benefits hereunder with the payment of benefits under the Federated Plan or the Allied Plan.

5.

Construction

Federated intends that this Reinstated Supplementary Plan be exempt, to the maximum extent possible, from Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), under Section 4(b)(5) thereof, as an excess benefit plan which is unfunded, and any ambiguities in construction shall

be resolved in favor of interpretations which will effectuate such intention. In all other respects, Federated intends the Reinstated Supplementary Plan to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management and highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA, commonly called a "top-hat" plan, and Federated reserves the right to interpret and operate the Reinstated Supplementary Plan accordingly. Furthermore, in the construction of this Reinstated Supplementary Plan, the masculine shall include the feminine and the singular the plural in all cases where such meanings would be appropriate. Finally, this Reinstated Supplementary Plan shall be governed by and construed in accordance with the substantive laws of the State of Ohio to the extent such laws are not preempted by ERISA.

6.

Administration

6.1 Administration of the Reinstated Supplementary Plan. Except as otherwise provided herein, this Reinstated Supplementary Plan shall be administered by the Administrative Committee under the Federated Plan (the "Committee"). Such members of the Committee shall have authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Reinstated Supplementary Plan and

decide or resolve any and all questions including interpretations of this Reinstated Supplementary Plan, as may arise in connection with this Reinstated Supplementary Plan.

In the administration of this Reinstated Supplementary Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with counsel who may be counsel to or an employee of Federated or any of its subsidiaries.

The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of this Supplementary Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest therein.

6.2 Claims Procedure. Each Claim for benefits under the Reinstated Supplementary Plan shall be approved or disapproved by the Committee within 90 calendar days following the receipt of the information that the Committee determines to be necessary to process the claim. The 90-day claims review period may be extended an additional 90 calendar days, provided that notice of such extension of time is given the claimant within the first 90-day period. In the event that the Committee

denies a claim for benefits in whole or in part, the Committee shall notify the claimant in writing of such denial. If requested by the claimant or if the Committee so elects without such request, such notice or a subsequent notice shall also set forth, in a manner determined by the Committee or its designee to be calculated to be understood by the claimant, (i) the principal basis for such denial, (ii) provisions of the Reinstated Supplementary Plan on which the denial is based, (iii) description in reasonable detail of any additional material or information necessary to perfect the claim with an explanation in reasonable detail of why such material or information is necessary, and (iv) an explanation in reasonable detail of the claim review procedures set forth in Section 6.3 hereof. If no action is taken by the Committee on a claim within 90 calendar days, the claim shall be deemed to be denied for purposes of the review procedure, in which event the claimant may request such a notice.

6.3 Review Procedure. A claimant may appeal a denial of his claim by requesting a review of the decision by the Committee. An appeal must be submitted in writing within 60 calendar days after the denial and must (i) request a review of the claim for benefits under the Plan, (ii) set forth in reasonable detail all of the grounds upon which the claimant's request for review is based and any facts in support thereof, and (iii) set forth in reasonable detail any issues or comments which the claimant deems pertinent to the appeal. The

Committee shall review each such appeal. The Committee shall act upon each appeal within 60 calendar days after receipt thereof unless the Committee determines that additional time is appropriate, in which case a decision will be rendered as soon as possible but not later than 120 calendar days after the appeal is received. The claimant shall be given an opportunity to review pertinent documents or materials upon submission of a written request to the Committee, provided the Committee determines in its sole discretion that the requested documents or materials (or any portion thereof) are pertinent to the appeal. Following the Committee's review, the Committee shall make an independent determination of the claimant's eligibility for benefits under the Plan. The decision of the Committee on any claim for benefits shall be final, conclusive and binding upon all parties thereto. In the event the Committee denies an appeal in whole or in part, it shall give written notice of the decision to the claimant, which notice will set forth, in a manner determined by the Committee or its designee to be calculated to be understood by the claimant, the principal basis for such denial and provisions of the Reinstated Supplementary Plan on which the decision was based.

7.

Termination, Suspension or Amendment

The Board of Directors of Federated may, in its sole discretion, terminate, suspend or amend this Supplementary Plan

at any time or from time to time, in whole or in part and as applied to such entities as such Board of Directors may determine. However, no such termination, suspension or amendment shall adversely affect the benefits of any Eligible Executive who has theretofore terminated employment and is entitled to a benefit under this Plan (or his Beneficiary).

8.

General Conditions

8.1 Prohibition of Assignment. No interest of any person and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any person. If any attempt is made to alienate, pledge or charge any such interest or any such benefit for any debt, liabilities in tort or contract, or otherwise, of any executive, former executive, surviving spouse, or other beneficiary contrary to the prohibitions of the preceding sentence, then the Committee in its discretion may suspend or forfeit the interests of such person and during the period of such suspension or, in case of forfeiture, the Committee shall hold such interest for the benefit of, or shall make the benefit payments to, such person who would otherwise be the Eligible

Executive, designated Beneficiary or to some member of the Eligible Executive's, former executive's, surviving spouse's or Beneficiaries' family to be selected in the discretion of the Committee.

8.2 No Additional Rights. No Eligible Executive and no other person shall have any legal or equitable rights or interest in this Reinstated Supplementary Plan that are not expressly granted in this Reinstated Supplementary Plan. Participation in this Reinstated Supplementary Plan does not give any person any right to be retained in the service of Federated or any of its subsidiaries. The right and power of Federated or any of its subsidiaries to dismiss or discharge any executive is expressly reserved.

8.3 Limitation on Payments. It is recognized that an Eligible Executive's duties during the period of employment with Federated or its subsidiaries will entail the receipt of confidential information concerning not only current operations and procedures but also short- and long-range plans.

If the Eligible Executive during any portion of the period of two years following his termination of employment as provided in this Reinstated Supplementary Plan has an investment of \$100,000 or more in a Competing Business (as hereafter defined) or renders personal services to such a Competing Business in any manner, including without limitation, as owner, partner, director, trustee, officer, employee, consultant or advisor thereof, all rights to receive any benefits under this Reinstated Supplementary Plan shall immediately cease.

As used in this Section, a "Competing Business" shall be any business which:

(a) at the time of determination, is substantially similar, in whole or substantial part, to the business conducted at the end of the period of active employment by Federated and its subsidiaries (taken as a whole) or substantially similar to some substantial part of said business; and

(b) at the time of determination, is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate, had the aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000, which store or stores is located in a city or within a radius of twenty-five (25) miles from the outer limit of a city where Federated or any of its subsidiaries is operating a store or stores which, during its or their fiscal year preceding the determination, in the aggregate had aggregate net sales, including sales in leased and licensed departments, in excess of \$10,000,000; and

(c) had aggregate consolidated net sales at all its locations, including sales in leased and licensed departments and sales by its divisions, subsidiaries and affiliates, during its fiscal year preceding that in which the Eligible Executive made such investment therein, or

first rendered personal services thereto, following his termination of service, in excess of \$25,000,000.

8.4 Withholding for Taxes. Payments under the Reinstated Supplementary Plan shall be subject to withholding for payroll taxes as required by law, including state and federal income taxes and FICA taxes.

EXHIBIT 11.1

EXHIBIT 11.1

FEDERATED DEPARTMENT STORES, INC.
EXHIBIT OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
(thousands, except per share data)

| | <u>Shares</u> | <u>52 Weeks Ended January 30, 1993</u> | <u>Income</u> |
|--|----------------|--|------------------|
| Net income and average number of shares outstanding.... | 111,350 | | \$113,009 |
| Earnings per share | | \$1.01 | |
| Primary Computation: | | | |
| Average number of common share equivalents: | | | |
| Shares to be issued to the U.S. Treasury | 204 | | |
| Stock options | <u>34</u> | | |
| Adjusted number of common and common equivalent shares outstanding and adjusted net income | 111,588 | | \$113,009 |
| Primary earnings per share | | \$1.01 | |
| Fully Diluted Computation: | | | |
| Additional adjustments to a fully diluted basis: | | | |
| Stock options | <u>72</u> | | |
| Adjusted number of shares outstanding and net income on a fully diluted basis | <u>111,660</u> | | <u>\$113,009</u> |
| Fully diluted earnings per share | | \$1.01 | |

EXHIBIT 22.1

FEDERATED DEPARTMENT STORES, INC.

LIST OF SUBSIDIARIES

22 East Advertising Agency, Inc.
22 East Realty Corporation
A&S Real Estate, Inc.
Abraham & Straus, Inc.
Allied Mortgage Financing Corp.
Allied Stores Credit Holdings Corporation
Allied Stores General Real Estate Company
Allied Stores International Sales Company, Inc.
Allied Stores International, Inc.
Allied Stores Marketing Corp.
Astoria Realty, Inc.
Auburndale Realty, Inc.
BFC Real Estate Company
Bloomingdale's by Mail Ltd.
Bloomingdale's Real Estate, Inc.
Bloomingdale's, Inc.
Burdine's Main Store Real Estate, Inc.
Burdine's Real Estate II, Inc.
Burdine's Real Estate, Inc.
Burdines, Inc.
Deerfield Funding Corporation
Douglas Plaza, Inc.
Federated Claims Services Group, Inc.
Federated Credit Holdings Corporation
Federated Real Estate, Inc.
Federated Stores Realty, Inc.
Jor-Mar, Inc.
Jordan Marsh Insurance Agency
Jordan Marsh Stores Corporation
Jordan Servicenter, Inc.
Lazarus Real Estate, Inc.
Lazarus, Inc.
Prime Receivables Corporation
Retail Service, Inc.
Rich's Department Stores, Inc.
Rich's Main Store Real Estate, Inc.
Rich's Real Estate, Inc.
Saramaas Realty Corp.
Seven West Seventh, Inc.
Stern's Department Stores, Inc.
Stern's-Echelon, Inc.
Stern's-Granite Run, Inc.
Stern's-Moorestown, Inc.
The Bon, Inc.
Tukwila Warehousing Services Corporation

EXHIBIT 24.1

CONSENT OF INDEPENDENT AUDITORS

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

We consent to incorporation by reference in Registration Statement No. 33-45633 on Form S-8 of Federated Department Stores, Inc. of our report dated March 8, 1993, relating to the consolidated balance sheets of Federated Department Stores, Inc. and subsidiaries as of January 30, 1993 and February 1, 1992, and the related consolidated statements of operations and cash flows and related financial statement schedules for each of the 52 week periods ended January 30, 1993, February 1, 1992 and February 2, 1991, which report appears in the January 30, 1993 annual report on Form 10-K of Federated Department Stores, Inc.

Our report refers to the Company's adoption of "fresh-start reporting" to reflect the Company's emergence from bankruptcy as of February 1, 1992 and the Company's adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," as of February 1, 1992.

KPMG Peat Marwick
KPMG PEAT MARWICK

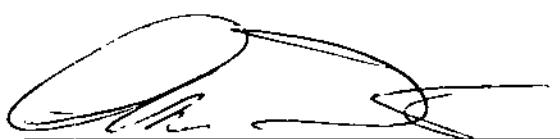
Cincinnati, Ohio
April 21, 1993

EXHIBIT 25.1

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach and Padma T. Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March __, 1993



Allen I. Questrom

dkm.251/9

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach and Padma T. Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March __, 1993

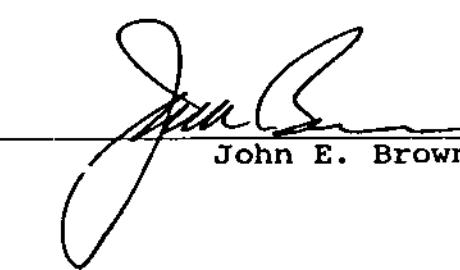

Ronald W. Tysoe

dkm.251/10

POWER OF ATTORNEY

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Dated: March ___, 1993

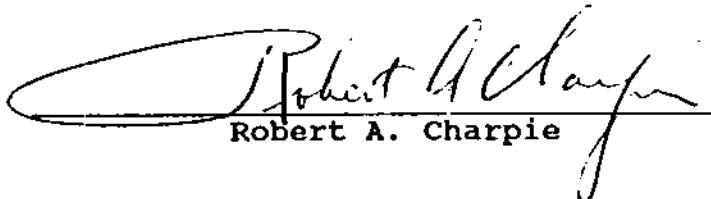

John E. Brown

dkm.251/13

POWER OF ATTORNEY

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Dated: March 30, 1993



Robert A. Charpie

dkm.251/1

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach and Padma T. Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 19, 1993



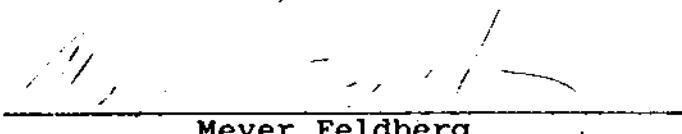
Lyle Everingham

dkm.251/2

POWER OF ATTORNEY

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Dated: March __, 1993


Meyer Feldberg

dkm.251/3

POWER OF ATTORNEY

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Dated: March __, 1993


George V. Grune

POWER OF ATTORNEY

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Dated: March 17, 1993

Reginald H. Jones

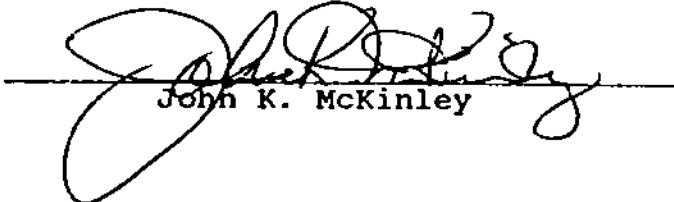
Reginald H. Jones

dkm.251/5

POWER OF ATTORNEY

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Dated: March __, 1993



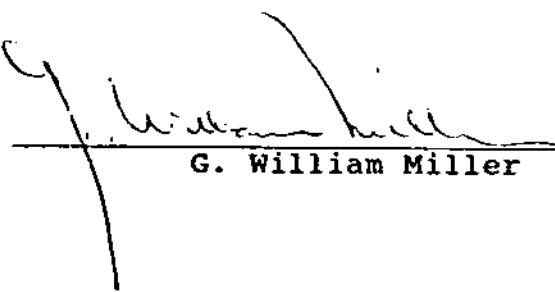
John K. McKinley

dkm.251/6

POWER OF ATTORNEY

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Dated: March 11, 1993

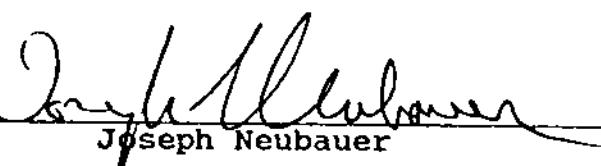

G. William Miller

dkm.251/7

POWER OF ATTORNEY

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Dated: March __, 1993


Joseph Neubauer

dkm.251/8

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach and Padma T. Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 15, 1993

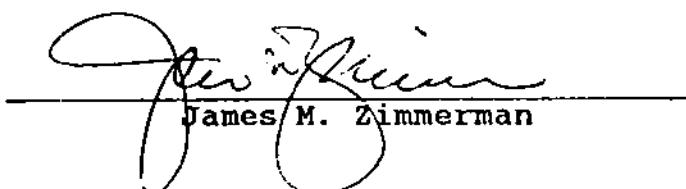
Karl M. von der Heyden
Karl M. von der Heyden

dkm.251/11

POWER OF ATTORNEY

The undersigned, a director and/or officer of Federated Department Stores, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Dennis J. Broderick, Boris Auerbach and Padma T. Cariappa, or any of them, my true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents, or any of them, may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacities indicated above, such Annual Report and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March ___, 1993



James M. Zimmerman

dkm.251/12