

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934 for the fiscal quarter ended May
1, 1999.

FEDERATED DEPARTMENT STORES, INC.

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

Delaware 1-13536 13-3324058
(State of (Commission File No.) (I.R.S. Employer
Incorporation) Identification Number)

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

209,531,928 shares of the Registrant's Common Stock, \$.01 par
value, were outstanding as of May 29, 1999.

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

	13 Weeks Ended May 1, 1999	13 Weeks Ended May 2, 1998
Net Sales	\$ 3,707	\$ 3,456
Cost of sales	2,266	2,106
Selling, general and administrative expenses	1,216	1,169
Operating Income	225	181
Interest expense	(78)	(83)

Interest income	3	6
Income Before Income Taxes	150	104
Federal, state and local income tax expense	(63)	(44)
Net Income	\$ 87	\$ 60
Basic earnings per share	\$.42	\$.29
Diluted earnings per share	\$.40	\$.27

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets (Unaudited)

(millions)

	May 1, 1999	January 30, 1999	May 2, 1998
ASSETS:			
Current Assets:			
Cash	\$ 239	\$ 307	\$ 179
Accounts receivable	2,165	2,209	2,446
Merchandise inventories	3,599	3,259	3,336
Supplies and prepaid expenses	200	117	105
Deferred income tax assets	142	80	62
Total Current Assets	6,345	5,972	6,128
Property and Equipment - net	6,624	6,572	6,422
Intangible Assets - net	1,889	631	684
Other Assets	572	289	319
Total Assets	\$ 15,430	\$ 13,464	\$ 13,553
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current Liabilities:			
Short-term debt	\$ 1,225	\$ 524	\$ 357
Accounts payable and accrued liabilities	2,699	2,446	2,375
Income taxes	75	98	24
Total Current Liabilities	3,999	3,068	2,756
Long-Term Debt	3,806	3,057	3,920
Deferred Income Taxes	1,236	1,060	975
Other Liabilities	576	570	557
Shareholders' Equity	5,813	5,709	5,345
Total Liabilities and Shareholders' Equity	\$ 15,430	\$ 13,464	\$ 13,553

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows (Unaudited)

(millions)

	13 Weeks Ended May 1, 1999	13 Weeks Ended May 2, 1998
Cash flows from operating activities:		
Net income	\$ 87	\$ 60
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158	149
Amortization of intangible assets	15	6
Amortization of financing costs	1	2
Changes in assets and liabilities:		
Decrease in accounts receivable	158	194
Increase in merchandise inventories	(175)	(97)
Decrease in supplies and prepaid expenses	2	10
Decrease in other assets not separately identified	43	4
Decrease in accounts payable and accrued liabilities not separately identified	(114)	(116)
Decrease in current income taxes	(23)	(64)
Increase in deferred income taxes	1	32
Decrease in other liabilities not separately identified	(7)	(6)
Net cash provided by operating activities	146	174
Cash flows from investing activities:		
Purchase of property and equipment	(52)	(51)
Acquisition of Fingerhut Companies, Inc., net of cash acquired	(1,539)	-
Capitalized software	(6)	-
Investments in affiliated companies	(9)	-
Disposition of property and equipment	3	16
Net cash used by investing activities	(1,603)	(35)
Cash flows from financing activities:		
Debt issued	1,326	300
Financing costs	(10)	(7)
Debt repaid	(1)	(499)
Increase in outstanding checks	69	75
Issuance of common stock	5	29
Net cash provided (used) by financing activities	1,389	(102)

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

	13 Weeks Ended May 1, 1999	13 Weeks Ended May 2, 1998
Net increase (decrease) in cash	(68)	37
Cash at beginning of period	307	142
Cash at end of period	\$ 239	\$ 179

Supplemental cash flow information:

Interest paid	\$ 73	\$ 80
Interest received	3	6
Income taxes paid (net of refunds)		

received)	84	68
Schedule of noncash investing and financing activities:		
Debt assumed in acquisition	125	-
Equity issued in acquisition	12	-

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

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 (the "1998 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 1998 10-K.

Substantially all department store merchandise inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is generally lower than market. Direct-to-customer merchandise inventories are stated at the lower of FIFO (first-in, first-out) cost or market.

Because of the seasonal nature of the general merchandising business, the results of operations for the 13 weeks ended May 1, 1999 and May 2, 1998 (which do not include the Christmas season) are not indicative of such results for the fiscal year.

The Consolidated Financial Statements for the 13 weeks ended May 1, 1999 and May 2, 1998, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company and its subsidiaries.

2. Acquisition

On March 18, 1999, the Company purchased Fingerhut Companies, Inc. ("Fingerhut"), a database marketing company that sells a broad range of products and services directly to consumers via catalogs, direct marketing and the Internet. The total purchase price of the Fingerhut acquisition was approximately \$1,720 million, including the assumption of \$125 million of debt and transaction costs.

The Fingerhut acquisition is being accounted for under the purchase method of accounting and, accordingly, the Company's results of operations do not include any revenues or expenses related to the acquisition prior to the closing date and the purchase price has been allocated to Fingerhut's assets and liabilities based on the estimated fair value of these assets and liabilities as of that date.

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

3. Segment Data

The Company conducts its business through two segments, department stores and direct-to-customer. The Company operates over 400 department stores throughout the country that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods. On March 18, 1999, the Company acquired Fingerhut which, together with Bloomingdale's By Mail, Macy's By Mail, macys.com and certain other direct marketing activities, comprises its direct-to-customer segment. This segment sells a broad range of products and services directly to consumers via catalogs, direct marketing and the Internet. Corporate and other consists of the assets and liabilities, and related income or expense, associated with the corporate office and certain items managed on a company-wide basis (e.g., intangibles, financial instruments, income taxes, retirement benefits and properties held for sale or disposition).

The financial information for each segment is reported on the basis used internally by the Company to evaluate performance and allocate resources. Prior year results have not been restated to conform to the current presentation as it is not practicable to do so.

	13 Weeks Ended May 1, 1999	May 2, 1998
(millions)		
Revenues by segment were as follows:		
Department Stores	\$3,544	\$3,456
Direct-to-Customer	163	-
Total	\$3,707	\$3,456

Operating income by segment was as follows:

Department Stores	\$ 273	\$ 220
Direct-to-Customer	(2)	-
Total segment operating income	271	220
Corporate and other	(46)	(39)
Operating income	\$ 225	\$ 181

Depreciation and amortization by segment was as follows:

Department Stores	\$ 153	\$ 147
Direct-to-Customer	3	-
Corporate and other	17	8
Total	\$ 173	\$ 155

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

13 Weeks Ended
May 1, May 2,

(millions) 1999 1998

Capital expenditures (purchase of property and equipment) by segment were as follows:

Department Stores	\$ 51	\$ 51
Direct-to-Customer	1	-
Corporate and other	-	-
Total	\$ 52	\$ 51

Total assets for each segment at the end of the reporting period were as follows:

Department Stores	\$12,083	\$12,236
Direct-to-Customer	900	-
Corporate and other	2,447	1,317
Total	\$15,430	\$13,553

4. Earnings Per Share

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

	13 Weeks Ended			
	May 1, 1999		May 2, 1998	
	Shares	Income	Shares	Income
(millions, except per share data)				
Net income and average number of shares outstanding	208.6	\$ 87	210.4	\$ 60
Shares to be issued under deferred compensation plan	.4	-	.3	-
	209.0	\$ 87	210.7	\$ 60
Basic earnings per share		\$.42		\$.29
Effect of dilutive securities:				
Warrants	5.7		8.1	
Stock options	1.7		2.6	
Convertible notes	-	-	10.2	3
	216.4	\$ 87	231.6	\$ 63
Diluted earnings per share		\$.40		\$.27

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

In addition to the warrants and stock options reflected in the foregoing table, warrants and stock options to purchase 6.6 million and 4.5 million shares of common stock at prices ranging from \$41.50 to \$79.44 per share were outstanding at May 1, 1999 and May 2, 1998, respectively, but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and would have been antidilutive.

FEDERATED DEPARTMENT STORES, INC.

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

The Company acquired Fingerhut on March 18, 1999. The acquisition is being accounted for under the purchase method of accounting and, accordingly, the Company's results of operations do not include any revenues or expenses related to the acquisition prior to the closing date. The results of operations of Fingerhut have been grouped with the Company's Bloomingdale's By Mail, Macy's By Mail and macys.com operations and certain other direct marketing activities as the direct-to-customer segment.

For purposes of the following discussion, all references to "first quarter of 1999" and "first quarter of 1998" are to the Company's 13-week fiscal periods ended May 1, 1999 and May 2, 1998, respectively.

Results of Operations

Comparison of the 13 Weeks Ended May 1, 1999 and May 2, 1998

Net sales for the first quarter of 1999 totaled \$3,707 million, compared to net sales of \$3,456 million for the first quarter of 1998, an increase of 7.3%. Net sales for department stores for the first quarter of 1999 were \$3,544 million compared to \$3,456 million for the first quarter of 1998, an increase of 2.5%. On a comparable store basis (sales from stores opened prior to February 1, 1998), net sales for the first quarter of 1999 increased 4.0% compared to the first quarter of 1998. Net sales for the direct-to-customer business segment were \$163 million for the first quarter of 1999.

Cost of sales was 61.1% of net sales for the first quarter of 1999, compared to 61.0% for the first quarter of 1998. Due to the highly competitive environment, cost of sales as a percent of net sales for department stores was up 0.4% in the first quarter of 1999 compared to the same period a year ago. Due to the lower cost of sales from the direct-to-customer business in the first quarter of 1999, compared to cost of sales for department stores, total cost of sales as a percent of net sales increased only slightly from the same year-ago period. Cost of sales was not impacted by the valuation of department store merchandise inventory on the last-in, first-out basis in the first quarter of 1999 or in the first quarter of 1998.

Selling, general and administrative ("SG&A") expenses were 32.8% of net sales for the first quarter of 1999 compared to 33.8% for the first quarter of 1998. Department store SG&A expenses improved 1.8% as a percent of department store net sales, reflecting the impact of higher sales with flat nonpayroll expenses and lower bad debt expense, which was partially offset by reduced finance charge income resulting from lower receivable balances. The higher SG&A expense rate for the direct-to-customer segment, including recently launched businesses, and higher amortization expense due to the Fingerhut acquisition combined to reduce the overall improvement in the SG&A expense rate to 1.0%.

Net interest expense was \$75 million for the first quarter of 1999, compared to \$77 million for the first quarter of 1998. The lower interest expense for the first quarter of 1999 is due to lower interest rates resulting from refinancings completed in 1998, which was partially offset by the increased outstanding debt resulting from the Fingerhut acquisition.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations (Continued)

The Company's effective income tax rate of 42.0% for the first quarter of 1999 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets and from other non-deductible items.

Liquidity and Capital Resources

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

Net cash provided by operating activities in the first quarter of 1999 was \$146 million, a decrease of \$28 million from the net cash provided by operating activities in the first quarter of 1998. The decrease in net cash provided by operating activities reflects increased payments of non-merchandise accounts payable due primarily to the Fingerhut acquisition. The increase in merchandise inventories was offset by a greater increase in merchandise accounts payable.

Net cash used by investing activities was \$1,603 million for the first quarter of 1999, including the purchase of Fingerhut. Investing activities for the first quarter of 1999 also included purchases of property and equipment totaling \$52 million and \$9 million invested in Internet companies. During the first quarter of 1999, the Company opened one new department store and plans to open two additional department stores during the remainder of 1999.

Net cash provided by the Company from all financing activities was \$1,389 million for the first quarter of 1999. The Company funded the acquisition of Fingerhut through a combination of cash on hand and short-term borrowings. During the first quarter of 1999, the Company issued \$350 million of 6.3% Senior Notes due 2009 and \$400 million of 6.9% Senior Debentures due 2029, the proceeds of which were used to refinance a portion of the short-term borrowings used by the Company to acquire Fingerhut.

Management believes the department store business and other retail businesses will continue to consolidate. Accordingly, the Company intends from time to time to consider additional acquisitions of, and investments in, department stores, Internet-related companies, catalog companies and other complementary assets and companies.

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

Management's Discussion and Analysis
of Financial Condition and Results of Operations (Continued)

Year 2000

The Company relies on computer-based technology and utilizes a variety of third-party hardware and proprietary and third-party software. The Company's retail functions, such as merchandise procurement and distribution, inventory control, point-of-sale information systems and proprietary credit card account servicing, generally use proprietary software, with third-party software being used more extensively for administrative functions, such as accounting and human resource management. In addition to such information technology ("IT") systems, the Company's operations rely on various non-IT equipment and systems that contain embedded computer technology, such as elevators, escalators and energy management systems. Third parties with whom the Company has commercial relationships, including vendors of merchandise for resale by the Company and of products and services used by the Company in its operations (such as banking and financial services, data processing services, telecommunications services and utilities), are also highly reliant on computer-based technology.

In February 1996, the Company commenced an assessment of the potential effects of the Year 2000 issue on the Company's business, financial condition and results of operations. In conjunction with such assessment, the Company developed and commenced the implementation of the compliance program described below.

As discussed separately under the caption "Fingerhut" below, Fingerhut undertook a similar program prior to being acquired by the Company.

The Company's Year 2000 Compliance Program

Proprietary IT Systems. Pursuant to the Company's Year 2000 compliance program, the Company has undertaken an examination of the Company's proprietary IT systems. All such systems that have been identified as relating to a critical function and as not being Year 2000 compliant have been or are being remediated or replaced. The Company believes that the remediation of its proprietary IT systems is substantially complete, and nearly all of the proprietary IT systems that have been remediated have been installed and placed into production. The Company commenced testing of such remediated systems for Year 2000 compliance in August 1998 and has completed a comprehensive, integrated test of all of its main-frame and mid-range IT systems (including third-party and proprietary hardware, software, network components and interfaces). The Company is presently conducting varying levels of follow-up testing of selected systems.

Third-Party IT Systems. The strategy instituted by the Company to identify and address Year 2000 issues affecting third-party IT systems used by the Company includes contacting all third-party providers of computer hardware and software to secure appropriate representations to the effect that such hardware or software is or will timely be Year 2000 compliant. The Company has received Year 2000 compliant versions of almost all third-party software and is currently engaged in testing those third-party software programs that have been identified as being critical to the Company's operations. The Company is also developing contingency plans as to third-party hardware and software used by the Company in respect of which the Company has not received adequate compliance assurances to date.

Management's Discussion and Analysis
of Financial Condition and Results of Operations (Continued)

Non-IT Systems. The Company has undertaken a review of its non-IT systems and has substantially completed the remediation of those systems that are within the Company's control. In addition, the Company's centralized real estate department has communicated to the developers, landlords and property managers of all of the Company's properties the Company's expectation that the systems utilized in the management and operation of such properties that are not within the Company's control are or will timely be Year 2000 compliant. As a further step, the Company has engaged in written or oral communications with its key developers, landlords and property managers in order to assess the Year 2000 readiness of their respective operations.

Non-IT Vendors and Suppliers. The Company procures its merchandise for resale and supplies for operational purposes from a vast network of vendors located both within and outside the United States, and is not dependent on any one vendor for more than 5% of its merchandise purchases. The Company procures its private label merchandise, which constitutes approximately 15% of the Company's total sales, principally from manufacturers located outside the United States. All of the Company's vendors have been notified in writing of the Company's expectation that the systems and operations of such vendors will be Year 2000 compliant. Selected key vendors have provided to the Company written or oral assurances that they are in the process of implementing compliance programs that are intended to address the Year 2000 issues affecting their respective operations.

Contingency Planning. The Company's Year 2000 compliance program is directed primarily towards ensuring that the Company will be able to continue to perform three critical functions: (i) effect sales, (ii) order and receive merchandise, and (iii) pay its employees. The Company has substantially completed the process of gathering data in order to assess the potential effects on these mission critical functions of a failure of the Company's Year 2000 compliance program to be fully effective and, to the extent deemed appropriate, is currently developing a contingency plan to address such effects. The Company expects to complete its contingency plan by July 31, 1999.

Fingerhut. Fingerhut implemented a program to address the effects of the Year 2000 issue prior to being acquired by the Company. The actions contemplated by Fingerhut's Year 2000 compliance program have been substantially completed and substantially all of the costs Fingerhut expected to incur have been incurred. The foregoing discussion of the Company's Year 2000 compliance program does not address Fingerhut's systems or vendors or any aspect of Fingerhut's Year 2000 compliance program. However, the discussion below of risks associated with the Year 2000 issue apply equally to the Company and Fingerhut and their respective Year 2000 compliance programs.

Costs. The Company (excluding Fingerhut) has incurred to date approximately \$30 million of costs to implement its Year 2000 compliance program and presently expects to incur approximately \$46 million of costs in the aggregate, of which approximately 25% represents capitalized expenditures for hardware purchases. All of the Company's Year 2000 compliance costs have been or are expected to be funded from operating cash flows. The Company's Year 2000 compliance budget does not include material amounts for hardware replacement because the Company has historically employed a strategy

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

to continually upgrade its main-frame and mid-range computer systems and to install state of the art point-of-sale systems with respect to both pre-existing operations and in conjunction with the acquisitions and mergers effected by the Company in recent years. Consequently, the Company's Year 2000 budget has not required the diversion of funds from or the postponement of the implementation of other planned IT projects.

Risks. The novelty and complexity of the issues presented and the proposed solutions therefor and the Company's dependence on the technical skills of employees and independent contractors and on the representations and preparedness of third parties are among the factors that could cause the Company's Year 2000 compliance efforts to be less than fully effective. Moreover, Year 2000 issues present a number of risks that are beyond the Company's reasonable control, such as the failure of utility companies to deliver electricity, the failure of telecommunications companies to provide voice and data services, the failure of financial institutions to process transactions and transfer funds, the failure of vendors to deliver merchandise or perform services required by the Company and the collateral effects on the Company of the effects of Year 2000 issues on the economy in general or on the Company's business partners and customers in particular. Although the Company believes that its Year 2000 compliance program is designed to appropriately identify and address those Year 2000 issues that are subject to the Company's reasonable control, there can be no assurance that the Company's efforts in this regard will be fully effective or that Year 2000 issues will not have a material adverse effect on the Company's business, financial condition or results of operations.

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

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

The Annual Meeting of the Company's stockholders was held on May 21, 1999. The Company's stockholders voted on the following items at such meeting:

- i. The stockholders approved the election of four Directors for a three-year term expiring at the 2002 Annual Meeting of the Company's stockholders. The votes for such elections were as follows: Meyer Feldberg - 172,932,103 votes in favor and 35,644,459 votes withheld; Terry J. Lundgren - 173,383,157 votes in favor and 35,193,405 votes withheld; Ronald W. Tysoe - 173,392,688 votes in favor and 35,183,874 votes withheld; and Marna C. Whittington - 173,391,085 votes in favor and 35,185,477 votes withheld. There were no broker non-votes on this item.
- ii. The stockholders ratified the employment of KPMG LLP as the Company's independent accountants for the fiscal year ending January 29, 2000. The votes for the ratification were 174,951,900, the votes against the ratification were

319,530, the votes abstained were 83,723, and there were no broker non-votes.

- iii. The stockholders approved a proposal to amend the 1995 Executive Equity Incentive Plan to increase the number of shares of common stock of the Company available for issuance thereunder. The votes for the proposal were 122,088,623, the votes against the proposal were 486,707, the votes abstained were 52,143,421, and there were no broker non-votes.

Item 5. Other Information

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

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC. (continued)

invalidity of the underlying beliefs and assumptions, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and (iii) actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials. In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.1 Agreement and Plan of Merger, dated as of February 10, 1999, among Federated Department Stores, Inc., Bengal Subsidiary Corporation and Fingerhut Companies, Inc. (incorporated

by reference to Exhibit (c)(1) of the Schedule 14D-1, filed by Federated and Bengal on February 18, 1999.

- 10.2 Commercial Paper Dealer Agreement, dated as of March 12, 1999, between Federated Department Stores, Inc., as Issuer, and Goldman, Sachs & Co., as Dealer.
- 10.3 Commercial Paper Dealer Agreement, dated as of March 12, 1999, between Federated Department Stores, Inc., as Issuer, and First Chicago Capital Markets, Inc., as Dealer.
- 10.4 Commercial Paper Dealer Agreement, dated as of March 12, 1999, between Federated Department Stores, Inc., as Issuer, and Chase Securities Inc., as Dealer.
- 10.5 Purchase Agreement, dated as of March 18, 1999, between Federated Department Stores, Inc. and Credit Suisse First Boston Corporation, Salomon Smith Barney Inc., Chase Securities Inc., NationsBanc Montgomery Securities LLC and PNC Capital Markets, Inc., as representatives of the Several Purchasers (incorporated by reference to Exhibit 4.1 to Federated Department Stores, Inc.'s Registration Statement on Form S-4 (Registration No. 333-76795) filed on April 22, 1999 (the "Registration Statement")).

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC. (continued)

- 10.6 Registration Rights Agreement, dated as of March 18, 1999, between Federated Department Stores, Inc. and Credit Suisse First Boston Corporation, Salomon Smith Barney Inc., Chase Securities Inc., NationsBanc Montgomery Securities LLC and PNC Capital Markets, Inc. (incorporated by reference to Exhibit 4.3 to the Registration Statement).
- 10.7 Third Supplemental Trust Indenture, dated as of March 24, 1999, between Federated Department Stores, Inc. and Citibank, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registration Statement).
- 10.8 Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998 between Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank as Servicer, and The Bank of New York (Delaware) as Trustee (incorporated by reference to Exhibit 4(d) to Fingerhut Receivables, Inc. Registration Statement on Form S-1 (File No. 333-45599)).
- 10.9 Series 1998-1 Supplement dated as of April 28, 1998 to Amended and Restated Pooling and Servicing Agreement.
- 10.10 Series 1998-2 Supplement dated as of April 28, 1998 to Amended and Restated Pooling and Servicing Agreement.
- 10.11 Series 1998-3 Supplement dated as of April 28, 1998 to Amended and Restated Pooling and Servicing Agreement.
- 10.12 First Amendment dated as of March 17,

1999 to Series 1998-1 Supplement.

10.13 First Amendment dated as of March 17,
1999 to Series 1998-2 Supplement.

10.14 First Amendment dated as of March 17,
1999 to Series 1998-3 Supplement.

10.15 Amended and Restated Purchase Agreement
dated as of March 18, 1998 between Fingerhut
Receivables, Inc., as Buyer and Fingerhut
Companies, Inc., as Seller (incorporated by
reference to Exhibit 10(d) to Fingerhut
Receivables, Inc. Registration Statement on
Form S-1 (File No. 333-45599)).

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC. (continued)

10.16 Amended and Restated Bank Receivables Purchase
Agreement dated as of March 18, 1998 between Fingerhut
Companies, Inc., as Buyer, and Fingerhut National Bank, as
Seller (incorporated by reference to Exhibit 10(e) to
Fingerhut Receivables, Inc. Registration Statement (File No.
333-45599)).

10.17 Indenture dated as of September 15, 1996
between Fingerhut Companies, Inc. and First
Bank, National Association, as trustee (now
known as U.S. Bank) (incorporated by reference
to Exhibit 4.1 to Fingerhut Companies, Inc.
Registration Statement on Form S-4 (File No.
333-15491)).

27 Financial Data Schedule

(b) Reports on Form 8-K

Current report on Form 8-K, dated March 18, 1999,
reporting matters under items 2, 5 and 7 thereof.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

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

FEDERATED DEPARTMENT STORES, INC.

Date June 15, 1999

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

/s/ Joel A.Belsky
Joel A. Belsky
Vice President and Controller
(Principal Accounting Officer)

COMMERCIAL PAPER DEALER AGREEMENT
4(2) PROGRAM

between

Federated Department Stores, Inc., as Issuer

and

Goldman, Sachs & Co., as Dealer

Concerning Notes to be issued pursuant to an
Issuing and Paying Agency Agreement dated as
of January 30, 1997 between the Issuer and
Citibank, N.A., as Issuing and Paying Agent

Dated as of

March 12, 1999

COMMERCIAL PAPER DEALER AGREEMENT

This agreement ("Agreement") sets forth the understandings between the Issuer and the Dealer, each named on the cover page hereof, in connection with the issuance and sale by the Issuer of its short-term promissory notes (the "Notes") through the Dealer.

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

Section 1. Offers, Sales and Resales of Notes.

1.1 While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, the Issuer shall not, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer one or more agreements which contain provisions substantially identical to those contained in Section 1 of this Agreement, of which the Issuer hereby

undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.

1.3 The Notes shall be in a minimum denomination of \$250,000 or integral multiples of \$1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturity not exceeding 270 days from the date of issuance (exclusive of days of grace) and shall not contain any provision for extension, renewal or automatic "rollover."

1.4 The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement, and the Notes shall be either individual physical certificates or book-entry notes evidenced by a Master Note registered in the name of DTC or its nominee, in the form or forms annexed to the Issuing and Paying Agency Agreement. The Dealer agrees to keep confidential the user number identification and password given to it pursuant to the Issuing and Paying Agency Agreement.

1.5 If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuing and Paying Agent, for the account of the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer shall reimburse the Dealer on an equitable basis for the Dealer's loss of the use of such funds for the period such funds were credited to the Issuer's account.

1.6 The Dealer and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes by or through the Dealer shall be made only to: (i) investors reasonably believed by the Dealer to be Qualified Institutional Buyers ("QIBs"), Institutional Accredited Investors or Sophisticated Individual Accredited Investors and (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is reasonably believed by the Dealer to be an Institutional Accredited Investor or Sophisticated Individual Accredited Investor.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legend described in clause (e) below.

(c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Dealer, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes. The Dealer shall not use any materials other than the Private Placement Memorandum as then approved by the Issuer (or such other materials as may from time to time be approved by the Issuer) in connection with the offer and sale of the Notes.

(d) No sale of Notes to any one purchaser shall be for less than \$250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least \$250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each Master Note representing book-entry Notes offered and sold pursuant to this Agreement.

(f) The Dealer shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer may be obtained.

(g) The Issuer agrees, for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer will furnish, upon request and at its expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by the Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify the Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Dealer an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(i) The Issuer represents that it is not currently issuing commercial paper in the United States market in reliance upon, and in compliance with, the exemption provided by Section 3(a)(3) of the Securities Act. However, the Issuer agrees that if the Issuer were to issue such 3(a)(3) commercial paper, (a) the proceeds from the sale of the Notes would be segregated from the proceeds of the sale of any such commercial paper by being placed in a separate account; (b) the Issuer would institute appropriate corporate procedures to ensure that the offers and sales of

notes issued by the Issuer pursuant to the Section 3(a)(3) exemption would not be integrated with offerings and sales of Notes hereunder; and (c) the Issuer would comply with each of the requirements of Section 3(a)(3) of the Securities Act in selling commercial paper or other short-term debt securities other than the Notes in the United States.

(j) The Issuer hereby agrees that, not later than 15 days after the first sale of Notes as contemplated by this Agreement, it will file with the SEC a notice on Form D in accordance with Rule 503 under the Securities Act and that it will thereafter file such amendments to such notice as Rule 503 may require.

1.7 The Issuer hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes, as follows:

(a) The Issuer hereby confirms to the Dealer that (except as permitted by Section 1.6(i)) within the preceding six months neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof acting on behalf of the Issuer has offered or sold any Notes, or any substantially similar security of the Issuer (including, without limitation, medium-term notes issued by the Issuer), to, or solicited offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (including for purposes of this Section 1.7(a) other dealers who would be so referred to but for the fact that they executed agreements of the type referred to in such Section 1.2 prior to the date hereof). The Issuer also agrees that (except as permitted by Section 1.6(i)), as long as the Notes are being offered for sale by the Dealer and the other dealers referred to in Section 1.2 hereof as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (except as contemplated by Section 1.2 hereof) will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and Rule 506 thereunder and shall survive any termination of this Agreement. The Issuer hereby represents and warrants that it has not taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Issuer or some other party or parties.

(b) In the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes either (i) only to offerees it reasonably believes to be QIBs or to QIBs it reasonably believes are acting for other QIBs, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.

Section 2. Representations and Warranties of Issuer.

The Issuer represents and warrants that:

2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all the requisite power and authority to execute, deliver and perform its obligations under

the Notes, this Agreement and the Issuing and Paying Agency Agreement.

2.2 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.3 The Notes have been duly authorized, and when issued as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.4 The offer and sale of Notes in the manner contemplated hereby do not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof and Regulation D thereunder, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. Neither the Issuer nor any affiliate (as defined in Regulation 501(b) of Regulation D), will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which will be integrated with the sale of the Notes in a manner which would require the registration of the Notes under the Securities Act.

2.5 The Notes will rank at least pari passu with all other unsecured and unsubordinated indebtedness of the Issuer.

2.6 Except as provided in Section 1.6(j), no consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.

2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, nor the issuance of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or a default under any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.8 There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might result in a material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer or

the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.9 The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

2.10 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that the Issuer makes no representation and warranty regarding the Dealer Information.

2.11 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth above in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer which has not been disclosed to the Dealer in writing.

Section 3. Covenants and Agreements of Issuer.

The Issuer covenants and agrees that:

3.1 The Issuer will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.

3.2 The Issuer shall, whenever there shall occur any change in the Issuer's condition (financial or otherwise), operations or business prospects or any development or occurrence in relation to the Issuer that would be material to holders of the Notes or potential holders of the Notes (including any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Issuer's securities by any nationally recognized statistical rating organization which has published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such change, development or occurrence.

3.3 The Issuer shall from time to time furnish to the Dealer such information as the Dealer may reasonably request, including, without limitation, any press releases or material provided by the Issuer to any national securities exchange or rating agency, regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes and (iii) the Issuer's ability to pay the Notes as they mature.

3.4 The Issuer will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws; provided, however, that the Issuer shall not be obligated to file

any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.

3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) an opinion of counsel to the Issuer, addressed to the Dealer, satisfactory in form and substance to the Dealer, (b) a copy of the executed Issuing and Paying Agency Agreement as then in effect, (c) a copy of resolutions adopted by the Board of Directors of the Issuer, satisfactory in form and substance to the Dealer and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement, the Issuing and Paying Agency Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e) such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.

3.7 The Issuer shall reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

Section 4. Disclosure.

4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

4.2 The Issuer agrees to promptly furnish the Dealer the Company Information as it becomes available.

4.3 (a) The Issuer further agrees to notify the Dealer promptly upon the occurrence of any event relating to or affecting the Issuer that would cause the Company Information then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

(b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that the Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer.

(c) In the event that (i) the Issuer gives the Dealer

notice pursuant to Section 4.3(a), (ii) the Dealer does not notify the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer.

Section 5. Indemnification and Contribution.

5.1 The Issuer will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

5.2 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.

5.3 In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 5, the Issuer shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and the Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 6. Definitions.

6.1 "Claim" shall have the meaning set forth in Section 5.1.

6.2 "Company Information" at any given time shall mean the Private Placement Memorandum together with, to the extent applicable, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for

dissemination to investors or potential investors in the Notes.

6.3 "Dealer Information" shall mean material concerning the Dealer provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.

6.4 "DTC" shall mean The Depository Trust Company.

6.5 "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

6.6 "Indemnitee" shall have the meaning set forth in Section 5.1.

6.7 "Institutional Accredited Investor" shall mean an institutional investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

6.8 "Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.

6.9 "Issuing and Paying Agent" shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto in accordance with the Issuing and Paying Agency Agreement.

6.10 "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

6.11 "Private Placement Memorandum" shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).

6.12 "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.

6.13 "Regulation D" shall mean Regulation D (Rules 501 et seq.) under the Securities Act.

6.14 "Rule 144A" shall mean Rule 144A under the Securities Act.

6.15 "SEC" shall mean the U.S. Securities and Exchange Commission.

6.16 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

6.17 "Sophisticated Individual Accredited Investor" shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of

evaluating and bearing the economic risk of an investment in the Notes and (ii) having a net worth of at least \$5 million.

Section 7. General

7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

7.3 The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH OF THE DEALER AND THE ISSUER WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day's prior notice to such effect to the Dealer, or by the Dealer upon one business day's prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the Issuer under Sections 3.7, 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

7.5 This Agreement is not assignable by either party hereto without the written consent of the other party; provided, however, that the Dealer may assign its rights and obligations under this Agreement to any affiliate of the Dealer.

7.6 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

7.7 This Agreement is for the exclusive benefit of the parties hereto, and their respective permitted successors and assigns hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever. No purchaser of any of the Notes from the Dealer shall be deemed a successor or assign by reason merely of such purchase.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Federated Department Stores, Inc., as Issuer

By: /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Senior Vice President, Treasurer
and Chief Financial Officer

Goldman, Sachs & Co., as Dealer

By: /s/ J. Christopher Kersey
Name: J. Christopher Kersey
Title: Vice President

ADDENDUM

The following additional clauses shall apply to the Agreement and be deemed a part thereof.

1. The other dealers referred to in clause (b) of Section 1.2 of the Agreement are Chase Securities Inc. and First Chicago Capital Markets, Inc.

2. The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer: Federated Department Stores, Inc.

Address: 7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Susan P. Storer
Telephone number: 513-579-7775
Fax number: 513-579-7393

For the Dealer: Goldman, Sachs & Co.

Address: 85 Broad Street
New York, New York 10004
Attention: Money Markets Origination
Telephone number: 212-902-7594
Fax number: 212-902-0683

EXHIBIT A

FORM OF LEGEND FOR PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT AND WHICH, IN THE CASE OF AN INDIVIDUAL, (i) POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING AND BEARING THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES AND (ii) HAS A NET WORTH OF AT LEAST \$5 MILLION (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) AND THAT EITHER IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH

IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (i) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE OR (ii) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO GOLDMAN, SACHS & CO. OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR, SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR OR A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF \$250,000.

EXHIBIT B

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

(a) The Issuer agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).

(b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Issuer, notify the Issuer in writing of the existence thereof; provided that (i) the omission so to notify the Issuer will not relieve the Issuer from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Issuer of substantial rights and defenses, and (ii) the omission so to notify the Issuer will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Issuer of the existence thereof, the Issuer will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Issuer, and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Issuer, the Issuer shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Issuer to such Indemnitee of the Issuer's election so to assume the defense of such Claim and approval by the Indemnitee of counsel, the Issuer will not be liable to such Indemnitee for expenses incurred thereafter by the Indemnitee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnitee

shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Issuer shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), approved by the Dealer, representing the Indemnatee who is party to such Claim), (ii) the Issuer shall not have employed counsel reasonably satisfactory to the Indemnatee to represent the Indemnatee within a reasonable time after notice of existence of the Claim or (iii) the Issuer has authorized in writing the employment of counsel for the Indemnatee. The indemnity, reimbursement and contribution obligations of the Issuer hereunder shall be in addition to any other liability the Issuer may otherwise have to an Indemnatee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Issuer and any Indemnatee. The Issuer agrees that without the Dealer's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement (whether or not the Dealer or any other Indemnatee is an actual or potential party to such Claim).

COMMERCIAL PAPER DEALER AGREEMENT
4(2) PROGRAM

between

Federated Department Stores, Inc., as Issuer

and

First Chicago Capital Markets, Inc., as Dealer

Concerning Notes to be issued pursuant to an
Issuing and Paying Agency Agreement dated as
of January 30, 1997 between the Issuer and
Citibank, N.A., as Issuing and Paying Agent

Dated as of

March 12, 1999

COMMERCIAL PAPER DEALER AGREEMENT

This agreement ("Agreement") sets forth the understandings between the Issuer and the Dealer, each named on the cover page hereof, in connection with the issuance and sale by the Issuer of its short-term promissory notes (the "Notes") through the Dealer.

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

Section 1. Offers, Sales and Resales of Notes.

1.1 While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, the Issuer shall not, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer one or more agreements which

contain provisions substantially identical to those contained in Section 1 of this Agreement, of which the Issuer hereby undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.

1.3 The Notes shall be in a minimum denomination of \$250,000 or integral multiples of \$1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturity not exceeding 270 days from the date of issuance (exclusive of days of grace) and shall not contain any provision for extension, renewal or automatic "rollover."

1.4 The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement, and the Notes shall be either individual physical certificates or book-entry notes evidenced by a Master Note registered in the name of DTC or its nominee, in the form or forms annexed to the Issuing and Paying Agency Agreement. The Dealer agrees to keep confidential the user number identification and password given to it pursuant to the Issuing and Paying Agency Agreement.

1.5 If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuing and Paying Agent, for the account of the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer shall reimburse the Dealer on an equitable basis for the Dealer's loss of the use of such funds for the period such funds were credited to the Issuer's account.

1.6 The Dealer and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes by or through the Dealer shall be made only to: (i) investors reasonably believed by the Dealer to be Qualified Institutional Buyers ("QIBs"), Institutional Accredited Investors or Sophisticated Individual Accredited Investors and (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is reasonably believed by the Dealer to be an Institutional Accredited Investor or Sophisticated Individual Accredited Investor.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the

restrictions in the legend described in clause (e) below.

(c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Dealer, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes. The Dealer shall not use any materials other than the Private Placement Memorandum as then approved by the Issuer (or such other materials as may from time to time be approved by the Issuer) in connection with the offer and sale of the Notes.

(d) No sale of Notes to any one purchaser shall be for less than \$250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least \$250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each Master Note representing book-entry Notes offered and sold pursuant to this Agreement.

(f) The Dealer shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer may be obtained.

(g) The Issuer agrees, for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer will furnish, upon request and at its expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by the Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify the Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Dealer an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(i) The Issuer represents that it is not currently issuing commercial paper in the United States market in reliance upon, and in compliance with, the exemption provided by Section 3(a)(3) of the Securities Act. However, the Issuer agrees that if the Issuer were to issue such 3(a)(3) commercial paper, (a) the proceeds from the sale of the Notes would be segregated from the proceeds of the sale of any such commercial paper by being placed in a separate

account; (b) the Issuer would institute appropriate corporate procedures to ensure that the offers and sales of notes issued by the Issuer pursuant to the Section 3(a)(3) exemption would not be integrated with offerings and sales of Notes hereunder; and (c) the Issuer would comply with each of the requirements of Section 3(a)(3) of the Securities Act in selling commercial paper or other short-term debt securities other than the Notes in the United States.

(j) The Issuer hereby agrees that, not later than 15 days after the first sale of Notes as contemplated by this Agreement, it will file with the SEC a notice on Form D in accordance with Rule 503 under the Securities Act and that it will thereafter file such amendments to such notice as Rule 503 may require.

1.7 The Issuer hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes, as follows:

(a) The Issuer hereby confirms to the Dealer that (except as permitted by Section 1.6(i)) within the preceding six months neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof acting on behalf of the Issuer has offered or sold any Notes, or any substantially similar security of the Issuer (including, without limitation, medium-term notes issued by the Issuer), to, or solicited offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (including for purposes of this Section 1.7(a) other dealers who would be so referred to but for the fact that they executed agreements of the type referred to in such Section 1.2 prior to the date hereof). The Issuer also agrees that (except as permitted by Section 1.6(i)), as long as the Notes are being offered for sale by the Dealer and the other dealers referred to in Section 1.2 hereof as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (except as contemplated by Section 1.2 hereof) will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and Rule 506 thereunder and shall survive any termination of this Agreement. The Issuer hereby represents and warrants that it has not taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Issuer or some other party or parties.

(b) In the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes either (i) only to offerees it reasonably believes to be QIBs or to QIBs it reasonably believes are acting for other QIBs, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.

Section 2. Representations and Warranties of Issuer.

The Issuer represents and warrants that:

2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction

of its incorporation and has all the requisite power and authority to execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agency Agreement.

2.2 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.3 The Notes have been duly authorized, and when issued as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.4 The offer and sale of Notes in the manner contemplated hereby do not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof and Regulation D thereunder, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. Neither the Issuer nor any affiliate (as defined in Regulation 501(b) of Regulation D), will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which will be integrated with the sale of the Notes in a manner which would require the registration of the Notes under the Securities Act.

2.5 The Notes will rank at least *pari passu* with all other unsecured and unsubordinated indebtedness of the Issuer.

2.6 Except as provided in Section 1.6(j), no consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.

2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, nor the issuance of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or a default under any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.8 There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might

result in a material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.9 The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

2.10 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that the Issuer makes no representation and warranty regarding the Dealer Information.

2.11 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth above in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer which has not been disclosed to the Dealer in writing.

Section 3. Covenants and Agreements of Issuer.

The Issuer covenants and agrees that:

3.1 The Issuer will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.

3.2 The Issuer shall, whenever there shall occur any change in the Issuer's condition (financial or otherwise), operations or business prospects or any development or occurrence in relation to the Issuer that would be material to holders of the Notes or potential holders of the Notes (including any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Issuer's securities by any nationally recognized statistical rating organization which has published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such change, development or occurrence.

3.3 The Issuer shall from time to time furnish to the Dealer such information as the Dealer may reasonably request, including, without limitation, any press releases or material provided by the Issuer to any national securities exchange or rating agency, regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes and (iii) the Issuer's ability to pay the Notes as they mature.

3.4 The Issuer will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the

Notes will comply with any applicable state Blue Sky laws; provided, however, that the Issuer shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.

3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) an opinion of counsel to the Issuer, addressed to the Dealer, satisfactory in form and substance to the Dealer, (b) a copy of the executed Issuing and Paying Agency Agreement as then in effect, (c) a copy of resolutions adopted by the Board of Directors of the Issuer, satisfactory in form and substance to the Dealer and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement, the Issuing and Paying Agency Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e) such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.

3.7 The Issuer shall reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

Section 4. Disclosure.

4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

4.2 The Issuer agrees to promptly furnish the Dealer the Company Information as it becomes available.

4.3 (a) The Issuer further agrees to notify the Dealer promptly upon the occurrence of any event relating to or affecting the Issuer that would cause the Company Information then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

(b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that the Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer.

(c) In the event that (i) the Issuer gives the Dealer notice pursuant to Section 4.3(a), (ii) the Dealer does not notify the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer.

Section 5. Indemnification and Contribution.

5.1 The Issuer will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

5.2 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.

5.3 In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 5, the Issuer shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and the Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 6. Definitions.

6.1 "Claim" shall have the meaning set forth in Section 5.1.

6.2 "Company Information" at any given time shall mean the Private Placement Memorandum together with, to the extent applicable, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other

information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for dissemination to investors or potential investors in the Notes.

6.3 "Dealer Information" shall mean material concerning the Dealer provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.

6.4 "DTC" shall mean The Depository Trust Company.

6.5 "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

6.6 "Indemnatee" shall have the meaning set forth in Section 5.1.

6.7 "Institutional Accredited Investor" shall mean an institutional investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

6.8 "Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.

6.9 "Issuing and Paying Agent" shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto in accordance with the Issuing and Paying Agency Agreement.

6.10 "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

6.11 "Private Placement Memorandum" shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).

6.12 "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.

6.13 "Regulation D" shall mean Regulation D (Rules 501 et seq.) under the Securities Act.

6.14 "Rule 144A" shall mean Rule 144A under the Securities Act.

6.15 "SEC" shall mean the U.S. Securities and Exchange Commission.

6.16 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

6.17 "Sophisticated Individual Accredited Investor" shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a

fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of evaluating and bearing the economic risk of an investment in the Notes and (ii) having a net worth of at least \$5 million.

Section 7. General

7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

7.3 The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH OF THE DEALER AND THE ISSUER WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day's prior notice to such effect to the Dealer, or by the Dealer upon one business day's prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the Issuer under Sections 3.7, 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

7.5 This Agreement is not assignable by either party hereto without the written consent of the other party; provided, however, that the Dealer may assign its rights and obligations under this Agreement to any affiliate of the Dealer.

7.6 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

7.7 This Agreement is for the exclusive benefit of the parties hereto, and their respective permitted successors and assigns hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever. No purchaser of any of the Notes from the Dealer shall be deemed a successor or assign by reason merely of such purchase.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Federated Department Stores, Inc., as Issuer

By: /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Senior Vice President, Treasurer
and Chief Financial Officer

First Chicago Capital Markets, Inc., as Dealer

By: /s/ Kimberly A. Hunter
Name: Kimberly A. Hunter
Title: Managing Director

ADDENDUM

The following additional clauses shall apply to the Agreement and be deemed a part thereof.

1. The other dealers referred to in clause (b) of Section 1.2 of the Agreement are Goldman, Sachs & Co. and Chase Securities Inc.
2. The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer: Federated Department Stores, Inc.

Address: 7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Susan P. Storer
Telephone number: 513-579-7775
Fax number: 513-579-7393

For the Dealer: First Chicago Capital Markets, Inc.

Address: One First National Plaza
Suite IL1-0033
Chicago, Illinois 60670
Attention: Edward G. Austin
Telephone number: 312-732-7324
Fax number: 312-732-1041

EXHIBIT A

FORM OF LEGEND FOR PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT AND WHICH, IN THE CASE OF AN INDIVIDUAL, (i) POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING AND BEARING THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES AND (ii) HAS A NET WORTH OF AT LEAST \$5 MILLION (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) AND THAT EITHER IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER

THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (i) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE OR (ii) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO FIRST CHICAGO CAPITAL MARKETS, INC. OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR, SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR OR A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF \$250,000.

EXHIBIT B

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

(a) The Issuer agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).

(b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Issuer, notify the Issuer in writing of the existence thereof; provided that (i) the omission so to notify the Issuer will not relieve the Issuer from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Issuer of substantial rights and defenses, and (ii) the omission so to notify the Issuer will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Issuer of the existence thereof, the Issuer will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Issuer, and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Issuer, the Issuer shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Issuer to such Indemnitee of the Issuer's election so to assume the defense of such Claim and approval by the Indemnitee of counsel, the Issuer will not be liable to such Indemnitee for expenses incurred thereafter by the

Indemnatee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnatee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Issuer shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), approved by the Dealer, representing the Indemnatee who is party to such Claim), (ii) the Issuer shall not have employed counsel reasonably satisfactory to the Indemnatee to represent the Indemnatee within a reasonable time after notice of existence of the Claim or (iii) the Issuer has authorized in writing the employment of counsel for the Indemnatee. The indemnity, reimbursement and contribution obligations of the Issuer hereunder shall be in addition to any other liability the Issuer may otherwise have to an Indemnatee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Issuer and any Indemnatee. The Issuer agrees that without the Dealer's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement (whether or not the Dealer or any other Indemnatee is an actual or potential party to such Claim).

COMMERCIAL PAPER DEALER AGREEMENT
4(2) PROGRAM

between

Federated Department Stores, Inc., as Issuer

and

Chase Securities Inc., as Dealer

Concerning Notes to be issued pursuant to an
Issuing and Paying Agency Agreement dated as
of January 30, 1997 between the Issuer and
Citibank, N.A., as Issuing and Paying Agent

Dated as of

March 12, 1999

COMMERCIAL PAPER DEALER AGREEMENT

This agreement ("Agreement") sets forth the understandings between the Issuer and the Dealer, each named on the cover page hereof, in connection with the issuance and sale by the Issuer of its short-term promissory notes (the "Notes") through the Dealer.

Certain terms used in this Agreement are defined in Section 6 hereof.

The Addendum to this Agreement, and any Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

Section 1. Offers, Sales and Resales of Notes.

1.1 While (i) the Issuer has and shall have no obligation to sell the Notes to the Dealer or to permit the Dealer to arrange any sale of the Notes for the account of the Issuer, and (ii) the Dealer has and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, the parties hereto agree that in any case where the Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Section 1.7 hereof, the Issuer shall not, without the consent of the Dealer, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more dealers which may from time to time after the date hereof become dealers with respect to the Notes by executing with the Issuer one or more agreements which

contain provisions substantially identical to those contained in Section 1 of this Agreement, of which the Issuer hereby undertakes to provide the Dealer prompt notice or (b) in transactions with the other dealers listed on the Addendum hereto, which are executing agreements with the Issuer which contain provisions substantially identical to Section 1 of this Agreement contemporaneously herewith. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.

1.3 The Notes shall be in a minimum denomination of \$250,000 or integral multiples of \$1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the Dealer and the Issuer, shall have a maturity not exceeding 270 days from the date of issuance (exclusive of days of grace) and shall not contain any provision for extension, renewal or automatic "rollover."

1.4 The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement, and the Notes shall be either individual physical certificates or book-entry notes evidenced by a Master Note registered in the name of DTC or its nominee, in the form or forms annexed to the Issuing and Paying Agency Agreement. The Dealer agrees to keep confidential the user number identification and password given to it pursuant to the Issuing and Paying Agency Agreement.

1.5 If the Issuer and the Dealer shall agree on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Dealer's services hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement and payment for such Note shall be made by the purchaser thereof, either directly or through the Dealer, to the Issuing and Paying Agent, for the account of the Issuer. Except as otherwise agreed, in the event that the Dealer is acting as an agent and a purchaser shall either fail to accept delivery of or make payment for a Note on the date fixed for settlement, the Dealer shall promptly notify the Issuer, and if the Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to the Dealer against its return of the Note to the Issuer, in the case of a certificated Note, and upon notice of such failure in the case of a book-entry Note. If such failure occurred for any reason other than default by the Dealer, the Issuer shall reimburse the Dealer on an equitable basis for the Dealer's loss of the use of such funds for the period such funds were credited to the Issuer's account.

1.6 The Dealer and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes by or through the Dealer shall be made only to: (i) investors reasonably believed by the Dealer to be Qualified Institutional Buyers ("QIBs"), Institutional Accredited Investors or Sophisticated Individual Accredited Investors and (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is reasonably believed by the Dealer to be an Institutional Accredited Investor or Sophisticated Individual Accredited Investor.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the

restrictions in the legend described in clause (e) below.

(c) No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Dealer, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes. The Dealer shall not use any materials other than the Private Placement Memorandum as then approved by the Issuer (or such other materials as may from time to time be approved by the Issuer) in connection with the offer and sale of the Notes.

(d) No sale of Notes to any one purchaser shall be for less than \$250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least \$250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Issuer through the Dealer acting as agent for the Issuer shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each Master Note representing book-entry Notes offered and sold pursuant to this Agreement.

(f) The Dealer shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Issuer may be obtained.

(g) The Issuer agrees, for the benefit of the Dealer and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act, the Issuer will furnish, upon request and at its expense, to the Dealer and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by the Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify the Dealer (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Dealer an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(i) The Issuer represents that it is not currently issuing commercial paper in the United States market in reliance upon, and in compliance with, the exemption provided by Section 3(a)(3) of the Securities Act. However, the Issuer agrees that if the Issuer were to issue such 3(a)(3) commercial paper, (a) the proceeds from the sale of the Notes would be segregated from the proceeds of the sale of any such commercial paper by being placed in a separate

account; (b) the Issuer would institute appropriate corporate procedures to ensure that the offers and sales of notes issued by the Issuer pursuant to the Section 3(a)(3) exemption would not be integrated with offerings and sales of Notes hereunder; and (c) the Issuer would comply with each of the requirements of Section 3(a)(3) of the Securities Act in selling commercial paper or other short-term debt securities other than the Notes in the United States.

(j) The Issuer hereby agrees that, not later than 15 days after the first sale of Notes as contemplated by this Agreement, it will file with the SEC a notice on Form D in accordance with Rule 503 under the Securities Act and that it will thereafter file such amendments to such notice as Rule 503 may require.

1.7 The Issuer hereby represents and warrants to the Dealer, in connection with offers, sales and resales of Notes, as follows:

(a) The Issuer hereby confirms to the Dealer that (except as permitted by Section 1.6(i)) within the preceding six months neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof acting on behalf of the Issuer has offered or sold any Notes, or any substantially similar security of the Issuer (including, without limitation, medium-term notes issued by the Issuer), to, or solicited offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (including for purposes of this Section 1.7(a) other dealers who would be so referred to but for the fact that they executed agreements of the type referred to in such Section 1.2 prior to the date hereof). The Issuer also agrees that (except as permitted by Section 1.6(i)), as long as the Notes are being offered for sale by the Dealer and the other dealers referred to in Section 1.2 hereof as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Dealer or the other dealers referred to in Section 1.2 hereof (except as contemplated by Section 1.2 hereof) will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Dealer or the other dealers referred to in Section 1.2 hereof, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and Rule 506 thereunder and shall survive any termination of this Agreement. The Issuer hereby represents and warrants that it has not taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Issuer or some other party or parties.

(b) In the event that the Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the Dealer will sell such Notes either (i) only to offerees it reasonably believes to be QIBs or to QIBs it reasonably believes are acting for other QIBs, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.

Section 2. Representations and Warranties of Issuer.

The Issuer represents and warrants that:

2.1 The Issuer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction

of its incorporation and has all the requisite power and authority to execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agency Agreement.

2.2 This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.3 The Notes have been duly authorized, and when issued as provided in the Issuing and Paying Agency Agreement, will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

2.4 The offer and sale of Notes in the manner contemplated hereby do not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof and Regulation D thereunder, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended. Neither the Issuer nor any affiliate (as defined in Regulation 501(b) of Regulation D), will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which will be integrated with the sale of the Notes in a manner which would require the registration of the Notes under the Securities Act.

2.5 The Notes will rank at least pari passu with all other unsecured and unsubordinated indebtedness of the Issuer.

2.6 Except as provided in Section 1.6(j), no consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agency Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.

2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agency Agreement, nor the issuance of the Notes in accordance with the Issuing and Paying Agency Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer, or (ii) violate or result in a breach or a default under any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.8 There is no litigation or governmental proceeding pending, or to the knowledge of the Issuer threatened, against or affecting the Issuer or any of its subsidiaries which might

result in a material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agency Agreement.

2.9 The Issuer is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

2.10 Neither the Private Placement Memorandum nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that the Issuer makes no representation and warranty regarding the Dealer Information.

2.11 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of the Private Placement Memorandum shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth above in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and (iii) in the case of an issuance of Notes, since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer which has not been disclosed to the Dealer in writing.

Section 3. Covenants and Agreements of Issuer.

The Issuer covenants and agrees that:

3.1 The Issuer will give the Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes or the Issuing and Paying Agency Agreement, including a complete copy of any such amendment, modification or waiver.

3.2 The Issuer shall, whenever there shall occur any change in the Issuer's condition (financial or otherwise), operations or business prospects or any development or occurrence in relation to the Issuer that would be material to holders of the Notes or potential holders of the Notes (including any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Issuer's securities by any nationally recognized statistical rating organization which has published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealer (by telephone, confirmed in writing) of such change, development or occurrence.

3.3 The Issuer shall from time to time furnish to the Dealer such information as the Dealer may reasonably request, including, without limitation, any press releases or material provided by the Issuer to any national securities exchange or rating agency, regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes and (iii) the Issuer's ability to pay the Notes as they mature.

3.4 The Issuer will take all such action as the Dealer may reasonably request to ensure that each offer and each sale of the

Notes will comply with any applicable state Blue Sky laws; provided, however, that the Issuer shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement, at any time that any of the Notes are outstanding.

3.6 The Issuer shall not issue Notes hereunder until the Dealer shall have received (a) an opinion of counsel to the Issuer, addressed to the Dealer, satisfactory in form and substance to the Dealer, (b) a copy of the executed Issuing and Paying Agency Agreement as then in effect, (c) a copy of resolutions adopted by the Board of Directors of the Issuer, satisfactory in form and substance to the Dealer and certified by the Secretary or similar officer of the Issuer, authorizing execution and delivery by the Issuer of this Agreement, the Issuing and Paying Agency Agreement and the Notes and consummation by the Issuer of the transactions contemplated hereby and thereby, (d) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC and (e) such other certificates, opinions, letters and documents as the Dealer shall have reasonably requested.

3.7 The Issuer shall reimburse the Dealer for all of the Dealer's out-of-pocket expenses related to this Agreement, including expenses incurred in connection with its preparation and negotiation, and the transactions contemplated hereby (including, but not limited to, the printing and distribution of the Private Placement Memorandum), and, if applicable, for the reasonable fees and out-of-pocket expenses of the Dealer's counsel.

Section 4. Disclosure.

4.1 The Private Placement Memorandum and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. The Private Placement Memorandum shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.

4.2 The Issuer agrees to promptly furnish the Dealer the Company Information as it becomes available.

4.3 (a) The Issuer further agrees to notify the Dealer promptly upon the occurrence of any event relating to or affecting the Issuer that would cause the Company Information then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.

(b) In the event that the Issuer gives the Dealer notice pursuant to Section 4.3(a) and the Dealer notifies the Issuer that it then has Notes it is holding in inventory, the Issuer agrees promptly to supplement or amend the Private Placement Memorandum so that the Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to the Dealer.

(c) In the event that (i) the Issuer gives the Dealer notice pursuant to Section 4.3(a), (ii) the Dealer does not notify the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the Private Placement Memorandum in the manner described in clause (b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the Private Placement Memorandum, and made such amendment or supplement available to the Dealer.

Section 5. Indemnification and Contribution.

5.1 The Issuer will indemnify and hold harmless the Dealer, each individual, corporation, partnership, trust, association or other entity controlling the Dealer, any affiliate of the Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Private Placement Memorandum, the Company Information or any information provided by the Issuer to the Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (ii) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon Dealer Information.

5.2 Provisions relating to claims made for indemnification under this Section 5 are set forth on Exhibit B to this Agreement.

5.3 In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 5 is held to be unavailable or insufficient to hold harmless the Indemnitees, although applicable in accordance with the terms of this Section 5, the Issuer shall contribute to the aggregate costs incurred by the Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and the Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that the aggregate costs incurred by the Dealer do not exceed the aggregate of the commissions and fees earned by the Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by the Dealer hereunder.

Section 6. Definitions.

6.1 "Claim" shall have the meaning set forth in Section 5.1.

6.2 "Company Information" at any given time shall mean the Private Placement Memorandum together with, to the extent applicable, (i) the Issuer's most recent report on Form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other

information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for dissemination to investors or potential investors in the Notes.

6.3 "Dealer Information" shall mean material concerning the Dealer provided by the Dealer in writing expressly for inclusion in the Private Placement Memorandum.

6.4 "DTC" shall mean The Depository Trust Company.

6.5 "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

6.6 "Indemnatee" shall have the meaning set forth in Section 5.1.

6.7 "Institutional Accredited Investor" shall mean an institutional investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

6.8 "Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement described on the cover page of this Agreement, as such agreement may be amended or supplemented from time to time.

6.9 "Issuing and Paying Agent" shall mean the party designated as such on the cover page of this Agreement, as issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto in accordance with the Issuing and Paying Agency Agreement.

6.10 "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

6.11 "Private Placement Memorandum" shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).

6.12 "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.

6.13 "Regulation D" shall mean Regulation D (Rules 501 et seq.) under the Securities Act.

6.14 "Rule 144A" shall mean Rule 144A under the Securities Act.

6.15 "SEC" shall mean the U.S. Securities and Exchange Commission.

6.16 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

6.17 "Sophisticated Individual Accredited Investor" shall mean an individual who (a) is an accredited investor within the meaning of Regulation D under the Securities Act and (b) based on his or her pre-existing relationship with the Dealer, is reasonably believed by the Dealer to be a sophisticated investor (i) possessing such knowledge and experience (or represented by a

fiduciary or agent possessing such knowledge and experience) in financial and business matters that he or she is capable of evaluating and bearing the economic risk of an investment in the Notes and (ii) having a net worth of at least \$5 million.

Section 7. General

7.1 Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth in the Addendum to this Agreement.

7.2 This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

7.3 The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH OF THE DEALER AND THE ISSUER WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

7.4 This Agreement may be terminated, at any time, by the Issuer, upon one business day's prior notice to such effect to the Dealer, or by the Dealer upon one business day's prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the Issuer under Sections 3.7, 5 and 7.3 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.

7.5 This Agreement is not assignable by either party hereto without the written consent of the other party; provided, however, that the Dealer may assign its rights and obligations under this Agreement to any affiliate of the Dealer.

7.6 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

7.7 This Agreement is for the exclusive benefit of the parties hereto, and their respective permitted successors and assigns hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever. No purchaser of any of the Notes from the Dealer shall be deemed a successor or assign by reason merely of such purchase.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Federated Department Stores, Inc., as Issuer

By: /s/ Karen M. Hoguet
Name: Karen M. Hoguet
Title: Senior Vice President, Treasurer
and Chief Financial Officer

Chase Securities Inc., as Dealer

By: /s/ Richard Chenel
Name: Richard Chenel
Title: Vice President

ADDENDUM

The following additional clauses shall apply to the Agreement and be deemed a part thereof.

1. The other dealers referred to in clause (b) of Section 1.2 of the Agreement are Chase Securities Inc. and First Chicago Capital Markets, Inc.

2. The addresses of the respective parties for purposes of notices under Section 7.1 are as follows:

For the Issuer: Federated Department Stores, Inc.

Address: 7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Susan P. Storer
Telephone number: 513-579-7775
Fax number: 513-579-7393

For the Dealer: Chase Securities Inc.

Address: 270 Park Avenue
New York, New York 10017
Attention: Money Markets Division
Telephone number: 212-270-5070
Fax number: 212-270-6560

EXHIBIT A

FORM OF LEGEND FOR PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS EITHER (A) AN INSTITUTIONAL INVESTOR OR SOPHISTICATED INDIVIDUAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT AND WHICH, IN THE CASE OF AN INDIVIDUAL, (i) POSSESSES SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT HE OR SHE IS CAPABLE OF EVALUATING AND BEARING THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES AND (ii) HAS A NET WORTH OF AT LEAST \$5 MILLION (AN "INSTITUTIONAL ACCREDITED INVESTOR" OR "SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR", RESPECTIVELY) AND THAT EITHER IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND

LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR (i) WHICH ITSELF POSSESSES SUCH KNOWLEDGE AND EXPERIENCE OR (ii) WITH RESPECT TO WHICH SUCH PURCHASER HAS SOLE INVESTMENT DISCRETION; OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO CHASE SECURITIES INC.. OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR, SOPHISTICATED INDIVIDUAL ACCREDITED INVESTOR OR A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF \$250,000.

EXHIBIT B

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

(a) The Issuer agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss, claim, damage, liability or action in respect of which indemnification may be sought under Section 5 of the Agreement (whether or not it is a party to any such proceedings).

(b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Issuer, notify the Issuer in writing of the existence thereof; provided that (i) the omission so to notify the Issuer will not relieve the Issuer from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Issuer of substantial rights and defenses, and (ii) the omission so to notify the Issuer will not relieve it from liability which it may have to an Indemnitee otherwise than on account of this indemnity agreement. In case any such Claim is made against any Indemnitee and it notifies the Issuer of the existence thereof, the Issuer will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Issuer, and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Issuer, the Issuer shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Issuer to such Indemnitee of the

Issuer's election so to assume the defense of such Claim and approval by the Indemnatee of counsel, the Issuer will not be liable to such Indemnatee for expenses incurred thereafter by the Indemnatee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnatee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Issuer shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), approved by the Dealer, representing the Indemnatee who is party to such Claim), (ii) the Issuer shall not have employed counsel reasonably satisfactory to the Indemnatee to represent the Indemnatee within a reasonable time after notice of existence of the Claim or (iii) the Issuer has authorized in writing the employment of counsel for the Indemnatee. The indemnity, reimbursement and contribution obligations of the Issuer hereunder shall be in addition to any other liability the Issuer may otherwise have to an Indemnatee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Issuer and any Indemnatee. The Issuer agrees that without the Dealer's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement (whether or not the Dealer or any other Indemnatee is an actual or potential party to such Claim).

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of the Series 1998-1 Securityholders

SERIES 1998-1 SUPPLEMENT

Dated as of April 28, 1998

to

AMENDED AND RESTATED
POOLING AND SERVICING AGREEMENT
Dated as of March 18, 1998

FINGERHUT MASTER TRUST

\$337,500,000 6.07% Asset Backed
Securities, Series 1998-1, Class A

\$51,136,000 6.29% Asset Backed
Securities, Series 1998-1, Class B

\$61,364,000 Floating Rate Asset Backed
Collateralized Trust Obligation, Series 1998-1

\$61,364,000 0% Asset Backed Securities,
Series 1998-1, Class D

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laws of the State of Delaware, as Transferor (the "Transferor"), FINGERHUT NATIONAL BANK, a national banking association organized under the laws of the United States, as Servicer (the "Servicer"), and THE BANK OF NEW YORK (DELAWARE), a Delaware banking corporation organized and existing under the laws of the State of Delaware as trustee (together with its successors in trust thereunder as provided in the Agreement referred to below, the "Trustee"), under the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as amended, supplemented or otherwise modified from time to time (the "Agreement"), among the Transferor, the Servicer and the Trustee.

Section 6.9 of the Agreement provides, among other things, that the Transferor and the Trustee may at any time and from time to time enter into a supplement to the Agreement for the purpose of authorizing the issuance by the Trustee to the Transferor, for execution and redelivery to the Trustee for authentication, of one or more Series of Securities.

Pursuant to this Series Supplement, the Transferor and the Trustee shall create a new Series of Investor Securities and shall specify the Principal Terms thereof.

SECTION 1. Designation. There is hereby created a Series to be issued pursuant to the Agreement and this Series Supplement to be known generally as the "Series 1998-1 Securities." Series 1998-1 shall consist of four Classes, which shall be designated generally as the 6.07% Asset Backed Securities, Series 1998-1, Class A (the "Class A Securities"), the 6.29% Asset Backed Securities, Series 1998-1, Class B (the "Class B Securities"), the Floating Rate Asset Backed Collateralized Trust Obligations, Series 1998-1 (the "Collateralized Trust Obligations") and the 0% Asset Backed Securities, Series 1998-1, Class D (the "Class D Securities").

SECTION 2. Definitions. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Agreement, the terms and provisions of this Series Supplement shall govern with respect to the Series 1998-1 Securities. All Article, Section or subsection references herein shall mean Articles, Sections or subsections of the Agreement, as amended or supplemented by this Series Supplement, except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Agreement. Each capitalized term defined herein shall relate only to the Series 1998-1 Securities and no other Series of Securities issued by the Trust.

"ABC Adjusted Invested Amount" shall mean as of any Business Day the sum of the Class A Adjusted Invested Amount, the Class B Adjusted Invested Amount and the CTO Adjusted Invested Amount minus the amount then on deposit in the Defeasance Funding Account.

"ABC Invested Amount" shall mean as of any Business Day the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Additional Interest" shall mean, at any time of determination, the sum of the Class A Additional Interest, Class B Additional Interest and CTO Additional Interest.

"Adjusted Invested Amount" shall mean as of any Business Day the Invested Amount minus the sum of the amount then on deposit in the Principal Account and the Series 1998-1 Percentage of the amount then on deposit in the Excess Funding Account.

"Amortization Period" shall mean the period commencing on the Amortization Period Commencement Date and continuing until the earlier of (x) the Invested Amount of the Securities being paid in full or (y) the Series 1998-1 Termination Date.

"Amortization Period Commencement Date" shall mean the earlier of the first day of the August 2000 Monthly Period or the Pay Out Commencement Date.

"Available Defeasance Reserve Account Amount" shall mean, with respect to any Business Day, the lesser of (a) the amount on deposit in the Defeasance Reserve Account as of such Business Day (before giving effect to any withdrawal made or to be made pursuant to Section 4.17 of the Agreement from the Defeasance Reserve Account on such Transfer Date) and (b) the Required Defeasance Reserve Account Amount for such Transfer Date.

"Available Series 1998-1 Finance Charge Collections" shall have the meaning specified in subsection 4.9(a) of the Agreement.

"Available Series 1998-1 Principal Collections" shall mean, with respect to any Monthly Period or portion thereof commencing on the Amortization Period Commencement Date, an amount equal to the sum of (i) an amount equal to the Fixed/Floating Percentage on each Business Day during such period of all Principal Collections (less the amount of Redirected Principal Collections) received during such period, (ii) any amount on deposit in the Excess Funding Account allocated to the Series 1998-1 Securities pursuant to subsection 4.3(f) of the Agreement with respect to such period, (iii) an amount equal to the sum of the aggregate Series Default Amount with respect to such period and the Series 1998-1 Percentage of any unpaid Adjustment Payments paid pursuant to subsections 4.9(a)(v) and 4.9(a)(vi) of the Agreement with respect to such period and any reimbursements of unreimbursed Series Charge-Offs pursuant to subsections 4.9(a)(vii), (x), (xi) and (xii) of the Agreement with respect to such period plus in each case, amounts applied with respect thereto pursuant to subsections 4.10(a) and (b), 4.14(a), (b) and (c), 4.16(b) and 4.17(b), (c) and (d) of the Agreement, and (iv) the aggregate Shared Principal Collections allocated to the Series 1998-1 Securities pursuant to Section 4.8 of the Agreement with respect to such period.

"Base Rate" shall mean, with respect to any Monthly Period, the sum of (i) the weighted average of the Class A Interest Rate, the Class B Interest Rate, the CTO Interest Rate and, if an interest rate is assigned to the Class D Securities pursuant to Section 4.23 of the Agreement, the Class D Interest Rate as of the last day of such Monthly Period (weighted based on the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and, following the assignment of an interest rate to the Class D Securities, the Class D Invested Amount or portion thereof with respect to which an interest rate has been assigned, respectively, as of the last day of such Monthly Period) plus (ii) the product of 2.00% per annum and the percentage equivalent of a fraction the numerator of which is the Adjusted Invested Amount and the denominator of which is the Invested Amount, each as of the beginning of the day on the first day of such Monthly Period.

"Carryover Class A Monthly Interest" shall mean with respect to any Business Day (a) any Class A Monthly Interest Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any Class A Additional Interest due on the Distribution Date in the next succeeding Monthly Period.

"Carryover Class B Monthly Interest" shall mean with respect to any Business Day (a) any Class B Monthly Interest Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any Class B Additional Interest due on the next succeeding Distribution Date in the next succeeding Monthly Period.

"Carryover CTO Monthly Interest" shall mean with respect to any Business Day (a) any CTO Monthly Interest

Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any CTO Additional Interest due on the next succeeding Distribution Date in the next succeeding Monthly Period.

"Class A Additional Interest" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current Class A Invested Amount minus the amount then on deposit in the Principal Account on such date of determination.

"Class A Charge-Offs" shall have the meaning specified in subsection 4.13(d) of the Agreement.

"Class A Controlled Amortization Amount" shall mean \$22,500,000.

"Class A Controlled Distribution Amount" shall mean, with respect to any Distribution Date, an amount equal to the Class A Controlled Amortization Amount plus any existing Class A Deficit Controlled Amortization Amount determined on the preceding Distribution Date, if any.

"Class A Deficit Controlled Amortization Amount" shall mean zero on the initial Distribution Date with respect to the Controlled Amortization Period and, on any subsequent Distribution Date, the excess, if any, of (i) the Class A Controlled Distribution Amount over (ii) the Available Series 1998-1 Principal Collections with respect to the related Monthly Period.

"Class A Expected Final Payment Date" shall mean the November 2001 Distribution Date.

"Class A Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class A Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account at the end of the preceding Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class A Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class A Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposits to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class A Initial Invested Amount" shall mean \$337,500,000.

"Class A Interest Rate" shall mean 6.07% per annum.

"Class A Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A

Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount reimbursed with respect to reductions of the Class A Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (c); provided, however, that the Class A Invested Amount may not be reduced below zero.

"Class A Monthly Interest" shall mean the interest distributable in respect of the Class A Securities as calculated in accordance with subsection 4.6(a) of the Agreement.

"Class A Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Outstanding Principal Amount" shall mean, with respect to the Class A Securities, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to the Class A Securityholders on or prior to such Business Day.

"Class A Percentage" shall mean a fraction the numerator of which is the Class A Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Class A Principal" shall mean the principal distributable in respect of the Class A Securities as calculated in accordance with subsection 4.7(a) of the Agreement.

"Class A Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the Class A Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover Class A Monthly Interest, (iii) the Class A Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the Class A Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the Class A Percentage of the Series 1998-1 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-1 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"Class A Securities" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-1 hereto.

"Class A Securityholder" shall mean the Person in whose name a Class A Security is registered in the Security Register.

"Class A Securityholders' Interest" shall mean the portion of the Series 1998-1 Securityholders' Interest evidenced by the Class A Securities.

"Class B Additional Interest" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current Class B Invested Amount minus the excess, if any, of the amount on deposit in the Principal Account over the Class A Invested Amount on such date of determination.

"Class B Charge-Offs" shall have the meaning specified

in subsection 4.13(c) of the Agreement.

"Class B Controlled Amortization Amount" shall mean \$17,045,333.33.

"Class B Controlled Distribution Amount" shall mean, with respect to any Distribution Date, an amount equal to the Class B Controlled Amortization Amount plus any existing Class B Deficit Controlled Amortization Amount determined on the preceding Distribution Date, if any.

"Class B Deficit Controlled Amortization Amount" shall mean zero on the Class B Principal Payment Commencement Date and, on any subsequent Distribution Date, means the excess, if any, of (i) the Class B Controlled Distribution Amount over (ii) the Available Series 1998-1 Principal Collections with respect to the related Monthly Period.

"Class B Expected Final Payment Date" shall mean the February 2002 Distribution Date.

"Class B Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class B Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class B Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposits to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Initial Invested Amount" shall mean \$51,136,000.

"Class B Interest Rate" shall mean 6.29% per annum.

"Class B Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections through and including such Business Day for which neither the Class D Invested Amount nor the CTO Invested Amount has been reduced on all prior Distribution Dates pursuant to subsection 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount reimbursed with respect to reductions of the Class B Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(x) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class B Invested Amount may not be reduced below zero.

"Class B Monthly Interest" shall mean the interest distributable in respect of the Class B Securities as calculated in accordance with subsection 4.6(b) of the Agreement.

"Class B Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Outstanding Principal Amount" shall mean, with respect to the Class B Securities, when used with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount minus (b) the aggregate amount of principal payments made to the Class B Securityholders on or prior to such Business Day.

"Class B Percentage" shall mean a fraction the numerator of which is the Class B Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Class B Principal" shall mean the principal distributable in respect of the Class B Securities as calculated in accordance with subsection 4.7(b) of the Agreement.

"Class B Principal Payment Commencement Date" shall mean the earlier of (a) the Distribution Date on which the Class A Invested Amount is paid in full or, if the Class A Invested Amount is paid in full on the Class A Expected Final Payment Date, and the Early Amortization Period has not commenced, the Distribution Date following the Class A Expected Final Payment Date and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(e), 10.2(a), 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"Class B Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the Class B Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover Class B Monthly Interest, (iii) the Class B Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the Class B Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the Class B Percentage of the Series 1998-1 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-1 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"Class B Securities" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-2 hereto.

"Class B Securityholder" shall mean the Person in whose name a Class B Security is registered in the Security Register.

"Class B Securityholders' Interest" shall mean the portion of the Series 1998-1 Securityholders' Interest evidenced by the Class B Securities.

"Class D Charge-Offs" shall have the meaning specified in subsection 4.13(a) of the Agreement.

"Class D Excess Amounts" shall mean, with respect to any Business Day, the excess of the Class D Invested Amount over the Stated Class D Amount on such Business Day after taking into account all adjustments of the ABC Adjusted Invested Amount on such day.

"Class D Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class D Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class D Invested Amount as of the beginning of such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Initial Invested Amount" shall mean \$61,364,000.

"Class D Interest Rate" shall have the meaning specified in subsection 4.23 of the Agreement.

"Class D Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class D Securityholders through and including such Business Day and reductions of the Class D Invested Amount pursuant to subsection 4.12(d), minus (c) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Principal Collections through and including such Business Day for which the Class D Invested Amount has been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the Class D Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class D Invested Amount may not be reduced below zero.

"Class D Outstanding Principal Amount" shall mean, with respect to the Class D Securities, when used with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class D Securityholders prior to such Business Day.

"Class D Principal" shall mean the principal distributable in respect of the Class D Security as specified in subsection 4.7(d) of the Agreement.

"Class D Principal Payment Commencement Date" shall mean the earlier of (a) during the Amortization Period, the first Distribution Date on which the CTO Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 1998-1 Securities remaining after payments have been made to the Collateralized Trust Obligations on such Distribution Date, the Distribution Date following the first Distribution Date on which the CTO Invested Amount is paid in full and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(e), 10.2(a), 12.1 or 12.2

of the Agreement or Section 3 of this Series Supplement.

"Class D Securities" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-4 hereto.

"Class D Securityholder" shall mean the Person in whose name a Class D Security is registered in the Security Register.

"Class D Securityholders' Interest" shall mean the portion of the Series 1998-1 Securityholders' Interest evidenced by the Class D Security.

"Clearing System Certificate" shall mean a certificate in substantially the form of Exhibit C hereto or such other form of certificate as shall be satisfactory to the Trustee, the Euroclear Operator and Cedel.

"Closing Date" shall mean April 28, 1998.

"Collateralized Trust Obligations" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-3 hereto.

"Controlled Amortization Period" shall mean, with respect to the Series 1998-1 Securities, unless a Pay Out Event shall have occurred with respect to such Series prior thereto, the period commencing on the Amortization Period Commencement Date and ending upon the earliest to occur of (x) the payment in full to the Series 1998-1 Securityholders of the Invested Amount, and (y) the Series 1998-1 Termination Date.

"CTO Additional Interest" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"CTO Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current CTO Invested Amount minus the excess, if any, of the amount then on deposit in the Principal Account over the Class A Invested Amount and the Class B Invested Amount on such date of determination.

"CTO Charge-Offs" shall have the meaning specified in subsection 4.13(b) of the Agreement.

"CTO Default" shall have the meaning specified in Section 9.

"CTO Exchange Date" shall mean the 40th day after the later of the commencement of the offering and the Closing Date.

"CTO Expected Final Payment Date" means the April 2002 Distribution Date.

"CTO Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the CTO Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"CTO Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the CTO Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposit

to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"CTO Global Security" shall mean a CTO Temporary Regulation S Global Security, a CTO Regulation S Global Security or a CTO Rule 144A Global Security.

"CTO Initial Invested Amount" shall mean \$61,364,000.

"CTO Interest Rate" shall mean 6.45625% per annum from the Closing Date through and including June 14, 1998 and, with respect to each Interest Accrual Period thereafter, a per annum rate .80% in excess of LIBOR as determined on the related LIBOR Determination Date.

"CTO Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders through and including such Business Day, minus (c) the aggregate amount of CTO Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected CTO Principal Collections and Redirected Class B Principal Collections through and including such Business Day for which the Class D Invested Amount has not been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the CTO Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xi) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the CTO Invested Amount may not be reduced below zero.

"CTO Monthly Interest" shall mean the interest distributable in respect of the Collateralized Trust Obligations as calculated in accordance with subsection 4.6(c) of the Agreement.

"CTO Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"CTO Outstanding Principal Amount" shall mean, with respect to the Collateralized Trust Obligations when used with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders prior to such Business Day.

"CTO Percentage" shall mean a fraction the numerator of which is the CTO Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"CTO Principal" shall mean the principal distributable in respect of the Collateralized Trust Obligations as calculated in accordance with subsection 4.7(c) of the Agreement.

"CTO Principal Payment Commencement Date" shall mean the earlier of (a) the Distribution Date on which the Class A Invested Amount and the Class B Invested Amount have each been paid in full or, if the Class B Invested Amount is paid in full on the Class B Expected Final Payment Date and the Early Amortization Period has not commenced, the Distribution Date following the Class B Expected Final Payment Date and (b) the

Distribution Date following a sale or repurchase of the Receivables as set forth in subsections 2.4(e), 10.2(a), 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"CTO Regulation S Global Security" shall mean a Collateralized Trust Obligation, sold in an offshore transaction in reliance on Regulation S under the Securities Act, represented by one or more Global Securities in definitive, fully registered form without interest coupons, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the CTO Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover CTO Monthly Interest, (iii) the CTO Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the CTO Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the CTO Percentage of the Series 1998-1 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-1 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"CTO Reserve Account" shall have the meaning specified in subsection 4.21(a) of the Agreement.

"CTO Rule 144A Global Security" shall mean a Collateralized Trust Obligation, sold within the United States to U.S. persons that are QIBs, issued in definitive, fully registered form without interest coupons, in the form of beneficial interests in one or more Global Securities, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Securityholder" shall mean the Person in whose name a Collateralized Trust Obligation is registered in the Security Register.

"CTO Securityholders' Interest" shall mean the portion of the Series 1998-1 Securityholders' Interest evidenced by the Collateralized Trust Obligations.

"CTO Temporary Regulation S Global Security" shall mean a Collateralized Trust Obligation, sold in an offshore transaction in reliance on Regulation S under the Securities Act, represented by one or more Global Securities in definitive, fully registered form without interest coupons, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Trigger Event" shall have the meaning specified in subsection 4.20.

"Defeasance" shall have the meaning specified in subsection 4.18 of the Agreement.

"Defeasance Funding Account" shall have the meaning set forth in subsection 4.16 of the Agreement.

"Defeasance Funding Account Balance" shall mean, with respect to any date of determination during the Amortization

Period, the principal amount, if any, on deposit in the Defeasance Funding Account on such date of determination.

"Defeasance Funding Account Investment Proceeds" shall mean, with respect to each Transfer Date following the initial deposit to the Defeasance Funding Account, the investment earnings on funds on deposit in the Defeasance Funding Account, if any, (net of investment losses and expenses) for the related Interest Accrual Period.

"Defeasance Reserve Account" shall have the meaning set forth in subsection 4.17 of the Agreement.

"Defeasance Reserve Account Funding Date" shall mean the first day of the Monthly Period prior to the Defeasance, or such earlier date as the Transferor may determine.

"Distribution Date" shall mean June 15, 1998 and the fifteenth day of each month thereafter, or if such day is not a Business Day, the next succeeding Business Day.

"DTC" shall mean The Depository Trust Company.

"Early Amortization Period" shall mean the period beginning on the earlier of (a) the day on which a Pay Out Event occurs or is deemed to have occurred and (b) the CTO Expected Final Payment Date if the CTO Invested Amount has not been paid in full on or prior to such date, and ending on the earlier of (i) the date on which the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount have been paid in full and (ii) the Scheduled Series 1998-1 Termination Date.

"Enhancement" shall mean, with respect to each Class, the amount, if any, on deposit from time to time in the Revolving Receivables Reserve Account and with respect to the Class A Securities, the subordination of the Class B Invested Amount, the CTO Invested Amount, and the Class D Invested Amount, with respect to the Class B Securities, the subordination of the CTO Invested Amount and the Class D Invested Amount, and with respect to the Collateralized Trust Obligations, the subordination of the Class D Invested Amount and the amount, if any, on deposit from time to time in the CTO Reserve Account.

"Excess Finance Charge Collections" shall mean, with respect to any Business Day, as the context requires, either (x) the amount described in subsection 4.9(a)(xviii) of the Agreement allocated to the Series 1998-1 Securities but available to cover shortfalls in amounts paid from Finance Charge Collections for other Series, if any, or (y) the aggregate amount of Finance Charge Collections allocable to other Series in excess of the amounts necessary to make required payments with respect to such Series, if any, and available to cover shortfalls with respect to the Series 1998-1 Securities.

"Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the sum of the Class A Fixed/Floating Percentage, the Class B Fixed/Floating Percentage, the CTO Fixed/Floating Percentage and the Class D Fixed/Floating Percentage.

"Floating Percentage" shall mean for any Business Day the sum of the applicable Class A Floating Percentage, Class B Floating Percentage, CTO Floating Percentage, and Class D Floating Percentage.

"Initial Invested Amount" shall mean an amount equal to the sum of (i) the Class A Initial Invested Amount; (ii) the Class B Initial Invested Amount; (iii) the CTO Initial Invested Amount; and (iv) the Class D Initial Invested Amount.

"Interest Accrual Period" shall mean, with respect to a Distribution Date, the period from and including the preceding

Distribution Date to but excluding such Distribution Date; provided, however, that the initial Interest Accrual Period shall be the period from the Closing Date to but excluding the initial Distribution Date.

"Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to the sum of (a) the Class A Invested Amount as of such Business Day, (b) the Class B Invested Amount as of such Business Day, (c) the CTO Invested Amount as of such Business Day and (d) the Class D Invested Amount as of such Business Day.

"Investor Percentage" shall mean, (a) with respect to Finance Charge Collections prior to the commencement of the Early Amortization Period, Default Amounts at any time and Principal Collections during the Revolving Period, the Floating Percentage and (b) with respect to Finance Charge Collections during the Early Amortization Period and Principal Collections during the Amortization Period, the Fixed/Floating Percentage, and with respect to any other Series of Securities, the percentage specified in the related Supplement.

"Investor Securityholder" shall mean the Holder of record of an Investor Security of Series 1998-1.

"LIBOR" shall have the meaning specified in subsection 4.15(a) of the Agreement.

"LIBOR Determination Date" shall mean the second Business Day prior to the commencement of the second and each subsequent Interest Accrual Period. For purposes of this definition, a Business Day is any day on which banks in London and New York are open for the transaction of international business.

"Member Organization Certificate" shall mean a certificate substantially in the form of Exhibit D hereto or such other form of certificate as shall be satisfactory to the Trustee, the Euroclear Operator and Cedel.

"Minimum Retained Percentage" shall mean 2%.

"Minimum Transferor Percentage" shall mean 0%; provided, however, that in certain circumstances such percentage may be increased.

"Monthly Period" shall have the meaning specified in the Agreement, except that the first Monthly Period with respect to the Series 1998-1 Securities shall begin on and include the Closing Date and shall end on and include May 29, 1998.

"Monthly Servicing Fee" shall mean for any Monthly Period, an amount equal to the product of (i) a fraction, the numerator of which is the actual number of days in such Monthly Period and the denominator of which is 365 or 366, (ii) the Series Monthly Servicing Fee Percentage and (iii) the Adjusted Invested Amount as of the beginning of the day on the first day of such Monthly Period, or, in the case of the first Distribution Date, the Initial Invested Amount.

"Negative Carry Amount" shall have the meaning specified in subsection 4.10(a) of the Agreement.

"Paired Series" shall have the meaning specified in Section 17 of this Series Supplement.

"Paying Agent" shall mean, for the Series 1998-1 Securities, initially The Bank of New York and in certain limited circumstances the Banque Generale du Luxembourg, S.A.

"Payment Reserve Account" shall have the meaning specified in subsection 4.22 of the Agreement.

"Pay Out Commencement Date" shall mean the date on which a Trust Pay Out Event is deemed to occur pursuant to Section 9.1 of the Agreement or a Series 1998-1 Pay Out Event is deemed to occur pursuant to Section 8 of this Series Supplement.

"Portfolio Yield" shall mean, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is the sum of (i) the aggregate amount of Available Series 1998-1 Finance Charge Collections for each Business Day during such Monthly Period (not including (a) the amounts withdrawn from the Payment Reserve Account, (b) Adjustment Payments made by the Transferor with respect to Adjustment Payments required to be made but not made in prior Monthly Periods, if any, and (c) the amount of any Finance Charge Collections received with respect to the final payment of any Closed End Receivable that is refinanced with a receivable arising under a revolving credit card account) and (ii) amounts withdrawn from the Defeasance Reserve Account with respect to such Monthly Period calculated on a cash basis after subtracting the aggregate Series Default Amount for such Monthly Period and the Series 1998-1 Percentage of any Adjustment Payments which the Transferor is required but fails to make pursuant to the Pooling and Servicing Agreement for each Business Day during such Monthly Period, and the denominator of which is the average daily Invested Amount during such Monthly Period; provided, however, that Excess Finance Charge Collections applied for the benefit of the Series 1998-1 Securityholders may be added to the numerator if the Transferor shall have provided ten Business Days prior written notice of such action to each Rating Agency and the Transferor, the Servicer and the Trustee shall have received notification in writing that such action will not result in Standard & Poor's reducing or withdrawing its then existing rating of the Investor Securities of any outstanding Series or Class with respect to which it is a Rating Agency.

"Principal Shortfalls" shall mean for any Business Day (x) for Series 1998-1, (i) during the Controlled Amortization Period on or prior to the CTO Principal Payment Commencement Date, the excess of the Class A Controlled Distribution Amount or the Class B Controlled Distribution Amount, as applicable, over the aggregate amount applied with respect thereto for such Business Day and for each prior Business Day in such Monthly Period, and (ii) at all other times, the Invested Amount of the Class then receiving principal payments, if any, after the application of Principal Collections on such Business Day or (y) for any other Series the amounts specified as such in the Supplement for such other Series.

"QIB" shall mean a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

"Rating Agency" shall mean Standard & Poor's and Moody's

"Redirected Class B Principal Collections" shall have the meaning specified in subsection 4.14(c) of the Agreement.

"Redirected Class D Principal Collections" shall have the meaning specified in subsection 4.14(a) of the Agreement.

"Redirected CTO Principal Collections" shall have the meaning specified in subsection 4.14(b) of the Agreement.

"Redirected Principal Collections" shall mean the sum of Redirected Class B Principal Collections, Redirected CTO Principal Collections and Redirected Class D Principal Collections.

"Regulation S Transfer Certificate" shall mean a certificate substantially in the form of Exhibit E hereto.

"Required Amount" shall have the meaning specified in subsection 4.10(b) of the Agreement.

"Required Defeasance Reserve Account Amount" shall mean, with respect to any Business Day on or after the Defeasance Reserve Account Funding Date, an amount equal to the excess of the sum of the Class A Monthly Interest, the Class B Monthly Interest and the estimated amount of the CTO Monthly Interest over the estimated amount of investment earnings on amounts in the Defeasance Funding Account, as estimated by the Transferor, for each of the Interest Accrual Periods during the period from the date of the deposit to the Defeasance Funding Account through the April 2002 Distribution Date.

"Reserve Account Investment Proceeds" shall mean, with respect to any Business Day, the sum of the investment earnings on funds on deposit in (i) the CTO Reserve Account available in accordance with subsection 4.21(c) of the Agreement on such Business Day and (ii) the Payment Reserve Account available in accordance with subsection 4.22(c) of the Agreement on such Business Day.

"Revolving Period" shall mean the period from and including the Closing Date to, but not including, the Amortization Period Commencement Date.

"Revolving Receivables Reserve Account" shall have the meaning specified in subsection 4.19 of the Agreement.

"Rule 144A Transfer Certificate" shall mean a certificate substantially in the form of Exhibit F hereto.

"Scheduled Series 1998-1 Termination Date" shall mean the February 2005 Distribution Date.

"Series 1998-1" shall mean the Series of the Fingerhut Master Trust represented by the Series 1998-1 Securities.

"Series 1998-1 Pay Out Event" shall have the meaning specified in Section 8 of this Series Supplement.

"Series 1998-1 Percentage" shall mean, on any date of determination, the percentage equivalent of a fraction the numerator of which is the Invested Amount and the denominator of which is the sum of the Invested Amounts relating to all other Series then outstanding.

"Series 1998-1 Securities" shall mean the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Security.

"Series 1998-1 Securityholder" shall mean the holder of record of any Series 1998-1 Security.

"Series 1998-1 Securityholders' Interest" shall have the meaning specified in Section 4.4 of the Agreement.

"Series 1998-1 Termination Date" shall mean the earlier to occur of (i) the day after the Distribution Date on which the Series 1998-1 Securities are paid in full, or (ii) the Scheduled Series 1998-1 Termination Date.

"Series Charge-Offs" shall mean the sum of Class A Charge-Offs, Class B Charge-Offs, CTO Charge-Offs and Class D Charge-Offs.

"Series Default Amount" shall mean, with respect to each Business Day, an amount equal to the product of the Default Amount identified since the prior reporting date and the Floating Percentage for such Business Day.

"Series Monthly Servicing Fee Percentage" shall mean 2.00% per annum.

"Shared Principal Collections" shall mean, as the

context requires, (a) the amount of Principal Collections for any Business Day allocated to the Series 1998-1 Securities which, in accordance with subsections 4.9(b) and 4.9(c)(ii) of the Agreement, may be applied in accordance with Section 4.3(d) of the Agreement or (b) the amounts allocated to the Investor Securities of other Series which the applicable Series Supplements for such Series specify are to be treated as "Shared Principal Collections" or (c) the amounts specified in any Participation Supplement to be treated as "Shared Principal Collections" and which may be applied to cover Principal Shortfalls with respect to the Series 1998-1 Securities.

"Specified CTO Reserve Amount" shall mean, on any date of determination following a CTO Trigger Event, subject to Section 9 of this Supplement, the amount, if any, which if added to the numerator of the Target Percentage on such date would cause such percentage to be equal to 6%; provided, however, that except as specified in the immediately succeeding proviso, the Specified CTO Reserve Amount shall not exceed the product of 5% and the Invested Amount on any Business Day; and provided, further, that following a CTO Default, in the circumstances specified in Section 9 of this Series Supplement, the Specified CTO Reserve Amount will be equal to the CTO Outstanding Principal Amount.

"Specified Revolving Receivables Reserve Amount" shall mean, on any date of determination, an amount equal to the product of (x) the Floating Percentage on such date and (y) 1% of the aggregate amount of Principal Receivables which are Revolving Receivables on such date; provided, however, that such percentage may be reduced at the option of the Transferor at any time if the Rating Agency Condition shall have been satisfied with respect thereto.

"Stated Class D Amount" shall mean on any Business Day the greater of (i) zero and (ii) a number rounded to the nearest Dollar equal to 13.64% of the ABC Adjusted Invested Amount as of such Business Day; provided, however, that during any Early Amortization Period the Stated Class D Amount shall be equal to the Stated Class D Amount immediately preceding the commencement of the Early Amortization Period; provided, further, that on any Business Day after the earlier of (a) the Class A Expected Final Payment Date if the Class A Invested Amount was not paid in full on the Class A Expected Final Payment Date or (b) the Class B Expected Final Payment Date if the Class B Invested Amount was not paid in full on the Class B Expected Final Payment Date the Stated Class D Amount shall be equal to the Stated Class D Amount on the Class A Expected Final Payment Date or the Class B Expected Final Payment Date, as applicable; and provided, further, that there shall be no reduction in the Stated Class D Amount on any day on which the amount on deposit in the Revolving Receivables Reserve Account is less than the Specified Revolving Receivables Reserve Amount or the amount on deposit in the CTO Reserve Account is less than the Specified CTO Reserve Amount and; provided, further, that the Stated Class D Amount shall not be less than \$15,340,920 prior to the date on which each of the Class A Outstanding Principal Balance, the Class B Outstanding Principal Balance and the CTO Outstanding Principal Balance have been reduced to zero.

"Target Percentage" shall have the meaning specified in subsection 4.20 of the Agreement.

"Telerate Page 3750" shall mean the display page currently so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

"Transferor Finance Charge Collections" shall mean on any Business Day the Series 1998-1 Percentage of the Finance Charge Collections allocable to the Exchangeable Transferor Security.

"Transferor Retained Securities" shall mean Investors Securities of any Series which the Transferor retains, including the Class D Securities for so long as they are held by the Transferor, but only to the extent that and for so long as the Transferor is the Holder of such Securities.

SECTION 3. Reassignment Terms. The Series 1998-1 Securities shall be subject to termination by the Transferor at its option, in accordance with the terms specified in subsection 12.2(a) of the Agreement, on any Distribution Date on or after the Distribution Date on which the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount would be reduced to an amount less than or equal to 10% of the sum of the Class A Initial Invested Amount, the Class B Initial Invested Amount and the CTO Initial Invested Amount. The deposit required in connection with any such termination and final distribution shall be equal to the sum of the unpaid Class A Invested Amount, the unpaid Class B Invested Amount and the unpaid CTO Invested Amount plus accrued and unpaid interest on the Class A Securities, Class B Securities and Collateralized Trust Obligations through the day prior to the Distribution Date on which the final distribution occurs, in each case after giving effect to any payments on such date.

SECTION 4. Delivery and Payment for the Series 1998-1 Securities. The Transferor shall execute and deliver the Series 1998-1 Securities to the Trustee for authentication in accordance with Section 6.1 of the Agreement. The Trustee shall deliver the Series 1998-1 Securities to or upon the order of the Transferor when authenticated in accordance with Section 6.2 of the Agreement.

SECTION 5. Form of Delivery of Series 1998-1 Securities; Denominations; Depositary. The Class A Securities, the Class B Securities and the Collateralized Trust Obligations shall be delivered as Book-Entry Securities as provided in Sections 6.1 and 6.10 of the Agreement. The Class A Securities and the Class B Securities shall be issued in minimum denominations of \$1,000 and integral multiples thereof. The Collateralized Trust Obligations shall be issued in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Class D Security shall be delivered as a Registered Security as provided in Section 6.1 of the Agreement.

The Depositary for Series 1998-1 shall be DTC and the Class A Securities and the Class B Securities shall be initially registered in the name of Cede & Co., its nominee and will initially be held by the Trustee as custodian for DTC.

The Transferor shall execute and the Trustee shall authenticate (i) one or more CTO Temporary Regulation S Global Securities, (ii) one or more CTO Regulation S Global Securities, and (iii) one or more CTO Rule 144A Global Securities, each having a principal balance as shall have been indicated to the Trustee by the Transferor and having an aggregate principal balance equal to the CTO Invested Amount as of the date of execution of such Global Securities by the Transferor.

The CTO Global Securities (i) shall be delivered by the Trustee to DTC acting as the initial Clearing Agency, and (ii) in each case shall be registered in the name of Cede & Co. The CTO Global Securities shall bear a legend substantially in the form set forth in Exhibit A-3. The CTO Global Securities initially will be held by the Trustee as custodian for DTC.

So long as any of the CTO Global Securities remains outstanding and are held by or on behalf of the Clearing Agency, transfers of beneficial interests in any of such CTO Global Securities may be made only in accordance with this Section 5 and in accordance with the rules of the Clearing Agency and the Euroclear Operator or Cedel.

A beneficial interest in the CTO Temporary Regulation

S Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in the CTO Rule 144A Global Securities only upon receipt by the Trustee of a Rule 144A Transfer Certificate.

On and after the CTO Exchange Date, a beneficial interest in the CTO Temporary Regulation S Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in the CTO Regulation S Global Security only upon receipt by the Trustee of a Clearing System Certificate from the Euroclear Operator or Cedel, as applicable, and a Member Organization Certificate, relating to the appropriate portion of the CTO Temporary Regulation S Global Security.

A beneficial interest in a CTO Rule 144A Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in a CTO Regulation S Global Security or CTO Temporary Regulation S Global Security only upon receipt by the Transfer Agent and Registrar of a Regulation S Transfer Certificate.

No restrictions shall apply with respect to the transfer or registration of transfer of (x) a beneficial interest in a CTO Rule 144A Global Security to a transferee that takes delivery in the form of a beneficial interest in the CTO Rule 144A Global Security, or (y) a beneficial interest in a CTO Regulation S Global Security to a transferee that takes delivery in the form of a beneficial interest in the CTO Regulation S Global Security.

An exchange of a beneficial interest in the CTO Temporary Regulation S Global Security for a beneficial interest in the CTO Regulation S Global Security, may be made only on or after the CTO Exchange Date and only upon receipt by the Trustee of a Clearing System Certificate from the Euroclear Operator or Cedel, as applicable, relating to the appropriate portion of the CTO Temporary Regulation S Global Security.

Upon acceptance for transfer of a beneficial interest in any CTO Global Security for a beneficial interest in another CTO Global Security as provided herein, the Trustee shall (or shall request the Clearing Agency to) endorse on the schedules affixed to each of such CTO Global Securities (or on continuations of such schedules affixed to each of such CTO Global Securities and made parts thereof) appropriate notations evidencing the date of such transfer and (x) in the case of the CTO Global Security from which such transfer is made, a decrease in the outstanding balance of such CTO Global Security equal to the outstanding balance being transferred and (y) in the case of the CTO Global Security into which such transfer is made, an increase in the outstanding balance of such CTO Global Security equal to the outstanding balance being transferred.

SECTION 6. Article IV of Agreement. Sections 4.1, 4.2 and 4.3 of the Agreement shall read in their entirety as provided in the Agreement. Article IV of the Agreement (except for Sections 4.1, 4.2 and 4.3 thereof) shall read in its entirety as follows and shall be applicable only to the Series 1998-1 Securities:

ARTICLE IV RIGHTS OF SECURITYHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

SECTION 4.4 Rights of Securityholders.
The Series 1998-1 Securities shall represent undivided interests in the Trust, including the right to receive, to the extent necessary to make the required payments with respect to such Series 1998-1 Securities at the times and in the amounts specified in this Agreement, (a) the Floating Percentage and the Fixed/Floating Percentage (as applicable from time to time) of

Collections (including Finance Charge Collections) available in the Collection Account, (b) funds allocable to the Series 1998-1 Securities on deposit in the Excess Funding Account and (c) funds on deposit in the Interest Funding Account, the Principal Account, the Revolving Receivables Reserve Account, the Defeasance Funding Account, the Defeasance Reserve Account, the Distribution Account, the CTO Reserve Account and the Payment Reserve Account (for such Series, the "Series 1998-1 Securityholders' Interest"). The Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount shall be subordinated to the Class A Securities; the CTO Invested Amount and the Class D Invested Amount shall be subordinated to the Class B Securities; and the Class D Invested Amount shall be subordinated to the Collateralized Trust Obligations, in each case to the extent provided in this Article IV. The Class B Securities will not have the right to receive payments of principal until the Class A Invested Amount has been paid in full. The Collateralized Trust Obligations will not have the right to receive payments of principal until the Class A Invested Amount and the Class B Invested Amount have been paid in full. The Class D Securities will not have the right to receive payments of principal, other than to the extent of Class D Excess Amounts, until the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount have been paid in full.

SECTION 4.5 Collections and Allocation; Payments on Exchangeable Transferor Security.

Collections and Allocations. The Servicer will apply or will instruct the Trustee to apply all funds on deposit in the Collection Account and the Excess Funding Account allocable to the Series 1998-1 Securities, and all funds on deposit in the Interest Funding Account, the Principal Account, the Revolving Receivables Reserve Account, the Defeasance Funding Account, the Defeasance Reserve Account, the Distribution Account, the CTO Reserve Account and the Payment Reserve Account, as described in this Article IV. On each Business Day, (i) the amount of Finance Charge Collections available in the Collection Account allocable to the Series 1998-1 Securities shall be determined by multiplying the aggregate amount of such Finance Charge Collections by (x) prior to the Pay Out Commencement Date, the Floating Percentage and (y) on and after the Pay Out Commencement Date, the Fixed/Floating Percentage, (ii) the amount of Principal Collections available in the Collection Account allocable to the Series 1998-1 Securities shall be determined by multiplying the aggregate amount of such Principal Collections by (x) during the Revolving Period, the Floating Percentage and (y) during any Amortization Period, the Fixed/Floating Percentage, and (iii) the Default Amount on such Business Day allocable to the Series 1998-1 Securities shall be determined by multiplying the Default Amount by the Floating Percentage. In addition, on the Closing Date the Transferor shall make a deposit to the Interest Funding Account in the amount of \$2,000,000 to be allocated to the Series 1998-1 Securities and applied as Available Series 1998-1 Finance Charge Collections in accordance with subsection 4.9(a) of the Agreement.

Payments to the Holder of the Exchangeable Transferor Security. On each Business Day, the Servicer shall allocate and pay Collections in accordance with the Daily Report to the Holder of the Exchangeable Transferor Security in accordance with subsection 4.3(b) of the Agreement; provided, however, that such amounts shall be applied in accordance with

Section 4.10 hereof to the extent specified therein.

Notwithstanding the foregoing and any other provisions of this Supplement, amounts payable to the Transferor shall instead be deposited in the Excess Funding Account to the extent necessary to prevent the Transferor Interest from being less than the Minimum Transferor Interest.

SECTION 4.6 Determination of Interest for the Series 1998-1 Securities. The amount of monthly interest (the "Class A Monthly Interest") which shall accrue for the benefit of the Class A Securities with respect to any Interest Accrual Period shall be an amount equal to one-twelfth of the product of (i) the Class A Interest Rate and (ii) the Class A Outstanding Principal Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the Class A Initial Invested Amount, (v) 47 divided by 360, and (w) the Class A Interest Rate).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "Class A Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the Class A Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the Class A Securityholders in respect of interest on such Distribution Date. If there is a Class A Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("Class A Additional Interest") shall be payable as provided herein with respect to the Class A Securities on each Distribution Date following such Distribution Date, to and including the Distribution Date on which such Class A Monthly Interest Shortfall is paid to Class A Securityholders, equal to one-twelfth of the product of (i) the Class A Interest Rate and (ii) such Class A Monthly Interest Shortfall remaining unpaid. Notwithstanding anything to the contrary herein, Class A Additional Interest shall be payable or distributed to Class A Securityholders only to the extent permitted by applicable law.

The amount of monthly interest (the "Class B Monthly Interest") which shall accrue for the benefit of the Class B Securities with respect to any Interest Accrual Period shall be an amount equal to one-twelfth of the product of (i) the Class B Interest Rate and (ii) the Class B Invested Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the Class B Initial Invested Amount, (v) 47 divided by 360, and (w) the Class B Interest Rate).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "Class B Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the aggregate Class B Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the Class B Securityholders in respect of interest on such Distribution Date. If there is a Class B Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("Class B Additional Interest") shall be payable as provided herein with respect to the Class B Securities on each Distribution Date following such Distribution Date, to

and including the Distribution Date on which such Class B Monthly Interest Shortfall is paid to Class B Securityholders, equal to one-twelfth of the product of (i) the Class B Interest Rate and (ii) such Class B Monthly Interest Shortfall remaining unpaid. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to Class B Securityholders only to the extent permitted by applicable law.

The amount of monthly interest (for the Series 1998-1 Securities, the "CTO Monthly Interest") which shall accrue for the benefit of the Collateralized Trust Obligations with respect to any Interest Accrual Period shall be an amount equal to the product of (i) the CTO Interest Rate for the related Interest Accrual Period, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the CTO Invested Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the CTO Initial Invested Amount, (v) 48 divided by 360, and (w) the CTO Interest Rate for the initial Interest Accrual Period).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "CTO Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the aggregate CTO Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the CTO Securityholders in respect of interest on such Distribution Date. If there is a CTO Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("CTO Additional Interest") shall be payable as provided herein with respect to the Collateralized Trust Obligations on each Distribution Date following such Distribution Date, to and including the Distribution Date on which such CTO Monthly Interest Shortfall is paid to CTO Securityholders, equal to the product of (i) the CTO Interest Rate, (ii) such CTO Monthly Interest Shortfall remaining unpaid and (iii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360. Notwithstanding anything to the contrary herein, CTO Additional Interest shall be payable or distributed to CTO Securityholders only to the extent permitted by applicable law.

SECTION 4.7 Determination of Principal Amounts. The amount of principal (the "Class A Principal") distributable from the Distribution Account with respect to the Class A Securities for each Distribution Date with respect to the Amortization Period shall be equal to the Available Series 1998-1 Principal Collections on deposit in the Principal Account with respect to the related Monthly Period; provided, however, that with respect to any Distribution Date during the Controlled Amortization Period, Class A Principal shall not exceed the lesser of (i) the Class A Controlled Distribution Amount and (ii) the Class A Invested Amount; provided, further that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, Class A Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance and (ii) the Class A Invested Amount; provided, further that with respect to the Series 1998-1 Termination Date, Class A Principal shall be an amount equal to the

Class A Invested Amount.

The amount of principal (the "Class B Principal") distributable from the Distribution Account with respect to the Class B Securities for each Distribution Date, beginning on the Class B Principal Payment Commencement Date, shall be equal to the Available Series 1998-1 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal, if any; provided, however, that with respect to any Distribution Date during the Controlled Amortization Period, Class B Principal shall not exceed the lesser of (i) the Class B Controlled Distribution Amount and (ii) the Class B Invested Amount; provided, further that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, Class B Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance after application of amounts on deposit therein to Class A Principal and (ii) the Class B Invested Amount; provided, further that with respect to the Series 1998-1 Termination Date, Class B Principal shall be an amount equal to the Class B Invested Amount.

The amount of principal (the "CTO Principal") distributable from the Distribution Account with respect to the Collateralized Trust Obligations for each Distribution Date, beginning on or after the CTO Principal Payment Commencement Date, shall be equal to the Available Series 1998-1 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal and Class B Principal, if any; provided that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, CTO Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance after application of amounts on deposit therein to Class A Principal and Class B Principal and (ii) the CTO Invested Amount; provided, further with respect to the Series 1998-1 Termination Date, CTO Principal shall be an amount equal to the CTO Invested Amount.

The amount of principal (the "Class D Principal") distributable from the Distribution Account with respect to the Class D Securities for each Distribution Date, beginning on the Class D Principal Payment Commencement Date, and on each Distribution Date thereafter until the Trust is terminated or until the Class D Invested Amount is paid in full, shall be equal to the Available Series 1998-1 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal, Class B Principal and CTO Principal, if any, and the Trustee, acting in accordance with instructions from the Servicer, will withdraw such amounts from the Principal Account and, to the extent of the Class D Invested Amount, deposit such amounts in the Distribution Account for distribution to the Class D Securityholder on the next succeeding Distribution Date.

SECTION 4.8 Shared Principal Collections.
Shared Principal Collections allocated to Available Series 1998-1 Principal Collections for the Series 1998-1 Securities and to be applied to Class A Principal, Class B Principal, CTO Principal and Class D Principal pursuant to subsection 4.9(c)(i)(y) of the Agreement for any Business Day with respect to the Amortization Period shall be equal to the product of (x) Shared Principal Collections for all Series for such Business Day and (y) a fraction, the numerator of which is the

Principal Shortfall for the Series 1998-1 Securities for such Business Day and the denominator of which is the aggregate amount of Principal Shortfalls for all Series for such Business Day. For any Business Day with respect to the Revolving Period, Shared Principal Collections allocated to Available Series 1998-1 Principal Collections for the Series 1998-1 Securities shall be zero.

SECTION 4.9 Application of Funds on Deposit in the Collection Account for the Securities. Available Series 1998-1 Finance Charge Collections. On each Business Day, the Servicer shall deliver to the Trustee a Daily Report in which it shall instruct the Trustee to withdraw, and the Trustee, acting in accordance with such instructions, shall withdraw amounts from the appropriate accounts, to the extent of the sum of (i) the amount of Finance Charge Collections allocated to the Series 1998-1 Securities pursuant to subsection 4.5(a) of the Agreement, (ii) amounts on deposit in the Payment Reserve Account, if any, if and to the extent the Transferor designates that such amounts are to be so applied, (iii) Reserve Account Investment Proceeds and investment earnings on amounts on deposit in the Interest Funding Account and the Principal Account and (iv) Defeasance Funding Account Investment Proceeds and other amounts withdrawn from the Defeasance Reserve Account pursuant to subsections 4.17(b), (c) and (d) and the Revolving Receivables Reserve Account pursuant to subsections 4.19(c), (d) and (e), which amounts shall be applied on each Transfer Date as if such amounts had been available on the last Business Day of the preceding Monthly Period (collectively, the "Available Series 1998-1 Finance Charge Collections"; provided that with respect to the Closing Date the amount deposited by the Transferor into the Interest Funding Account pursuant to subsection 4.5(a) of the Agreement shall also constitute Available Series 1998-1 Finance Charge Collections; and provided further that, with respect to any Business Day, amounts applied pursuant to Section 4.10 and Section 4.14 of the Agreement shall be applied as if such amounts were Available Series 1998-1 Finance Charge Collections). The Trustee shall apply Available Series 1998-1 Finance Charge Collections in the priority set forth below:

Class A Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the Class A Securityholders, to the extent of the Available Series 1998-1 Finance Charge Collections for such Business Day, an amount equal to the lesser of (x) the Available Series 1998-1 Finance Charge Collections and (y) the excess of (1) the sum of Class A Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover Class A Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class A Monthly Interest that constitutes Class A Additional Interest shall be payable or distributable to Class A Securityholders only to the extent permitted by applicable law.

Class B Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the Class

B Securityholders, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the application pursuant to subsection 4.9(a)(i) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the excess of (1) the sum of Class B Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover Class B Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class B Monthly Interest that constitutes Class B Additional Interest shall be payable or distributable to Class B Securityholders only to the extent permitted by applicable law.

CTO Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the CTO Securityholders, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) and (ii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the excess of (1) the sum of CTO Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover CTO Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class C Monthly Interest that constitutes CTO Additional Interest shall be payable or distributable to CTO Securityholders only to the extent permitted by applicable law.

Monthly Servicing Fee. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall distribute to the Servicer, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the excess of (i) the Monthly Servicing Fee for such Monthly Period plus any unpaid Monthly Servicing Fees from prior Monthly Periods over (ii) any amounts with respect thereto previously distributed to the Servicer during such Monthly Period.

Series Default Amount. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the sum of (1) the aggregate Series Default Amount for such Business Day plus (2) the unpaid Series Default Amount for each previous Business Day during such Monthly Period, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Adjustment Payment Shortfalls. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (v) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) an amount equal to the Series 1998-1 Percentage of any Adjustment Payment which the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period less any amounts previously withdrawn pursuant to this subsection 4.9(a)(vi) on account of such unpaid Adjustment Payments, such amount to be (i) treated as Shared Principal Collections during the Revolving Period, and (ii) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Reimbursement of Class A Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the unreimbursed Class A Charge-Offs, if any, in order to reimburse Class A Charge-Offs, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Unpaid Class B Monthly Interest. On each Business Day, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the Class B Securityholders on the next Distribution Date, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the sum of (1) the amount of interest which would accrue with respect to the Class B Securities on the Class B Outstanding Principal Amount at the Class B Interest Rate during the related Interest Accrual Period beginning in the then current Monthly Period but which has not been deposited into the Interest Funding Account or paid to the Class B Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the Class B Interest Rate on interest that was payable on any prior Distribution Date pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the Class B Securityholders.

Unpaid CTO Monthly Interest. On each Business Day, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the CTO Securityholders on the next Distribution Date, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (viii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the sum of (1) the amount of interest which would accrue with respect to the Collateralized Trust Obligations on the CTO

Outstanding Principal Amount at the CTO Interest Rate during the Interest Accrual Period beginning in the then current Monthly Period but which has not been deposited into the Interest Funding Account or paid to the CTO Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the CTO Interest Rate on interest that was payable on any prior Distribution Date pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the CTO Securityholders.

Reimbursement of Certain Reductions of Class B Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (ix) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the unreimbursed amount by which the Class B Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class B Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Reimbursement of Certain Reductions of CTO Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (x) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the unreimbursed amount by which the CTO Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of CTO Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Reimbursement of Certain Reductions of Class D Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the unreimbursed amount by which the Class D Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class D Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-1 Principal Collections during the Amortization Period.

Class D Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the Class D Securityholders on the next Distribution Date, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xii) of the Agreement,

an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the sum of (1) the amount of interest which has accrued with respect to the Class D Securities on the Class D Outstanding Principal Amount at the applicable Class D Interest Rate but which has not been deposited into the Interest Funding Account on any prior Business Day or paid to the Class D Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the Class D Interest Rate on interest that was payable during a prior Monthly Period pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the Class D Securityholders.

Revolving Receivables Reserve Account. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the Revolving Receivables Reserve Account, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiii) of the Agreement an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) an amount equal to the excess, if any, of the Specified Revolving Receivables Reserve Amount on such date over the amount then on deposit in the Revolving Receivables Reserve Account.

Defeasance Reserve Account. At the option of the Transferor, on each Business Day on and after the Defeasance Reserve Account Funding Date, but prior to the date on which a Defeasance occurs pursuant to subsection 4.18 of the Agreement, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the Defeasance Reserve Account, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the excess, if any, of the Required Defeasance Reserve Account Amount over the Available Defeasance Reserve Account Amount.

CTO Reserve Account. Following the occurrence of a CTO Trigger Event, on each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the CTO Reserve Account, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) an amount equal to the excess, if any, of the Specified CTO Reserve Amount on such date over the amount then on deposit in the CTO Reserve Account.

Payment Reserve Account. On each Business Day, the Trustee, acting in accordance with instructions from the Transferor, shall deposit in the Payment Reserve Account, to the extent of any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xvi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-1 Finance Charge Collections and (y) the amount, if any, designated by the Transferor in writing (which includes facsimile transmission) in its instructions to the Trustee on such Business Day.

Excess Finance Charge Collections. Any Available Series 1998-1 Finance Charge Collections remaining after giving effect to the applications pursuant to subsection 4.9(a)(i) through (xvii) of the Agreement shall be treated as Excess Finance Charge Collections, and the Servicer shall direct the Trustee in writing on each Business Day to first make such amounts available to pay to Securityholders of other Series to the extent of shortfalls, if any, in amounts payable to such Securityholders from Finance Charge Collections allocated to such other Series, then to pay any unpaid commercially reasonable costs and expenses of a Successor Servicer, if any, then to reserve for (or pay when due) any taxes and related expenses anticipated by the Servicer to be payable by the Trust with respect to the related Monthly Period or prior Monthly Periods and then on each Business Day to pay any remaining Excess Finance Charge Collections to the Transferor.

Revolving Period Principal Collections. For each Business Day with respect to the Revolving Period, the funds on deposit in the Collection Account to the extent of the product of (i) the Floating Percentage and (ii) Principal Collections (less the amount of Redirected Principal Collections) with respect to such Business Day will be treated as Shared Principal Collections and applied, pursuant to the written direction of the Servicer in the Daily Report for such Business Day, as provided in Section 4.3(e) of the Agreement.

Amortization Period Principal Collections and Other Funds. For each Business Day on and after the Amortization Period Commencement Date, the amount of funds on deposit in the Collection Account or the Excess Funding Account as described below will be distributed, pursuant to the written direction of the Servicer in the Daily Report for such Business Day in the following priority:

an amount (not in excess of the Invested Amount) equal to the sum of (v) the product of the Fixed/Floating Percentage and Principal Collections (less the amount thereof applied as Redirected Principal Collections) for such Business Day, (w) any amount on deposit in the Excess Funding Account allocated to the Series 1998-1 Securities on such Business Day pursuant to subsection 4.3(f) of the Agreement, (x) amounts to be treated as Available Series 1998-1 Principal Collections for such Business Day pursuant to subsections 4.9(a)(v), (vi), (vii), (x), (xi) and (xii) of the Agreement (including amounts available pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement for such Business Day) and (y) the amount of Shared Principal Collections allocated to the Series 1998-1 Securities in accordance with Section 4.8 of the Agreement for such Business Day, will be deposited into the Principal Account; provided, however, that with respect to any Monthly Period during the Controlled Amortization Period, the aggregate amount required to be deposited in the Principal Account pursuant to this subsection 4.9(c)(i) shall not exceed the sum of (I) (A) prior to the Monthly Period related to the Class B Principal Payment Commencement Date, the Class A Controlled Distribution Amount, (B) during and after the Monthly Period related to the Class B Principal Payment Commencement Date but prior to the Monthly Period related to the CTO Principal Payment Commencement Date, the Class B Controlled Distribution Amount or (C) during and after the Monthly Period related to the CTO Principal Payment Commencement Date but prior to the Monthly Period

related to the Class D Principal Payment Commencement Date, the CTO Invested Amount and (II) at the option of the Transferor, the Class D Excess Amount; and

an amount equal to the excess, if any, of (A) the sum of the amounts described in subsection 4.9(c)(i)(v) and (x) above over (B) the sum of Class A Principal, Class B Principal, CTO Principal and Class D Principal will be treated as Shared Principal Collections and applied as provided in subsection 4.3(e) of the Agreement.

SECTION 4.10 Coverage of Required Amount for the Series 1998-1 Securities. Coverage of Negative Carry Amount. To the extent that any amounts are on deposit in the Excess Funding Account on any Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-1 Finance Charge Collections in subsections 4.9(a)(i) through (xiii) of the Agreement, Transferor Finance Charge Collections in an amount (the "Negative Carry Amount") equal to the excess of (x) the product of (a) the Base Rate, (b) the product of (i) the amounts on deposit in the Excess Funding Account and (ii) the number of days elapsed since the previous Business Day divided by 360 over (y) the aggregate amount of all earnings since the previous Business Day available from the Cash Equivalents in which funds on deposit in the Excess Funding Account are invested.

Required Amount from Other Series Excess Finance Charge Collections. To the extent that on any Business Day payments are being made pursuant to any of subsections 4.9(a)(i) through (xiii) of the Agreement, respectively, and the full amount to be paid pursuant to any such subsection receiving payments on such Business Day is not paid in full on such Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-1 Finance Charge Collections in subsections 4.9(a)(i) through (xiii) of the Agreement, all or a portion of the Excess Finance Charge Collections from other Series with respect to such Business Day allocable to the Series 1998-1 Securities in an amount equal to the excess of the full amount to be allocated or paid pursuant to the applicable subsection over the amount applied with respect thereto from Available Series 1998-1 Finance Charge Collections and Transferor Finance Charge Collections on such Business Day (the "Required Amount"). Excess Finance Charge Collections allocated to the Series 1998-1 Securities for any Business Day shall mean an amount equal to the product of (x) Excess Finance Charge Collections available from all other Series for such Business Day and (y) a fraction, the numerator of which is the Required Amount for such Business Day and the denominator of which is the aggregate amount of shortfalls in required amounts or other amounts to be paid from Finance Charge Collections for all Series for such Business Day.

SECTION 4.11 Payment of Interest on Securities. On each Transfer Date, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw the amount on deposit in the Interest Funding Account with respect to the preceding Monthly Period allocable to the Series 1998-1 Securities and deposit such amount in the Distribution Account. On each Distribution Date, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to (w) the Class A Securityholders from the Distribution Account such amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts

deposited in the Interest Funding Account pursuant to subsection 4.9(a)(i) of the Agreement, (x) the Class B Securityholders from the Distribution Account the amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsections 4.9(a)(ii) and (viii) of the Agreement, (y) the CTO Securityholders from the Distribution Account the amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsections 4.9(a)(iii) and (ix) of the Agreement, and (z) the Class D Securityholder from the Distribution Account the amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsection 4.9(a)(xiii) of the Agreement.

SECTION 4.12 Payment of Security Principal.

Class A Principal. On the Transfer Date preceding each Distribution Date with respect to the Amortization Period, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, from the Defeasance Funding Account, and deposit into the Distribution Account, to the extent of funds available, an amount equal to the Class A Principal for such Distribution Date. On each Distribution Date with respect to the Amortization Period until the Class A Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class A Securityholders from the Distribution Account such amounts deposited with respect to Class A Principal into the Distribution Account on the related Transfer Date.

Class B Principal. On the Transfer Date preceding the Class B Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, the Defeasance Funding Account and deposit in the Distribution Account, to the extent of funds available, an amount equal to the Class B Principal for the related Distribution Date. On and after the Class B Principal Payment Commencement Date, on each Distribution Date until the Class B Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class B Securityholders from the Distribution Account such amounts deposited with respect to Class B Principal into the Distribution Account on the related Transfer Date.

CTO Principal. On the Transfer Date preceding the CTO Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, the Defeasance Funding Account and deposit in the Distribution Account, to the extent of funds available, an amount equal to the CTO Principal for the related Distribution Date. On and after the CTO Principal Payment Commencement Date, on each Distribution Date until the CTO Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the CTO Securityholders

from the Distribution Account such amounts deposited with respect to CTO Principal into the Distribution Account on the related Transfer Date.

Class D Principal. On the Transfer Date preceding the Class D Principal Payment Commencement Date and each Transfer Date thereafter, or, in the case of distributions of Class D Excess Amounts, on each Transfer Date during the Controlled Amortization Period preceding a Distribution Date on which a distribution shall be made of Class D Excess Amounts, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account and deposit in the Distribution Account, to the extent of funds available after giving effect to withdrawals pursuant to subsections 4.12(a), (b) or (c) of the Agreement, an amount equal to the Class D Principal for the related Distribution Date. On the Class D Principal Payment Commencement Date after the payment of any principal amounts to the Class A Securities, the Class B Securities and the Collateralized Trust Obligations on such day, and on each Distribution Date thereafter until the Class D Invested Amount is paid in full and on each Distribution Date during the Controlled Amortization Period on which amounts are to be distributed with respect to Class D Excess Amounts, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class D Securityholder from the Distribution Account such amounts deposited with respect to Class D Principal into the Distribution Account on the related Transfer Date. Notwithstanding the foregoing, if so designated in writing by the Transferor with respect to any such Transfer Date, any such payment of Class D Principal shall not be made to the Class D Securityholder but such amount shall nonetheless be subtracted from the Class D Invested Amount and added to the Transferor Interest and Class D Excess Amounts may be subtracted from the Class D Invested Amount and added to the Transferor Interest whether or not such amount has been deposited into the Distribution Account..

Any amounts remaining in the Principal Account and allocable to the Series 1998-1 Securities, after the Class D Invested Amount has been paid in full, will be treated as Shared Principal Collections and applied in accordance with Section 4.3(e) of the Agreement.

SECTION 4.13 Series Charge-Offs. If, on any Determination Date, the sum of the aggregate Series Default Amount and the Series 1998-1 Percentage of unpaid Adjustment Payments, if any, required to be made by the Transferor but not made for all Business Days in the preceding Monthly Period exceeds the sum of (x) the aggregate amount of the Available Series 1998-1 Finance Charge Collections applied to the payment thereof pursuant to subsections 4.9(a)(v) and (vi) of the Agreement, (y) the aggregate amount of Transferor Finance Charge Collections and Excess Finance Charge Collections allocated thereto pursuant to Section 4.10 of the Agreement, and (z) the aggregate amount of Redirected Principal Collections applied with respect thereto pursuant to Section 4.14 of the Agreement, the Class D Invested Amount will be reduced by the aggregate amount of such excess (a "Class D Charge-Off").

In the event that any such reduction of the Class D Invested Amount would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero, and the CTO

Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-1 Percentage of unpaid Adjustment Payments for such Monthly Period (a "CTO Charge-Off").

In the event that any such reduction of the CTO Invested Amount would cause the CTO Invested Amount to be a negative number, the CTO Invested Amount will be reduced to zero, and the Class B Invested Amount will be reduced by the amount by which the CTO Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-1 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class B Charge-Off").

In the event that any such reduction of the Class B Invested Amount would cause the Class B Invested Amount to be a negative number, the Class B Invested Amount will be reduced to zero, and the Class A Invested Amount will be reduced by the amount by which the Class B Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-1 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class A Charge-Off").

SECTION 4.14 Redirected Principal Collections for the Series 1998-1 Securities. On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to the least of (i) the Class D Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class D Floating Percentage or (II) during an Amortization Period, the Class D Fixed/Floating Percentage and (y) the amount of Principal Collections with respect to such Business Day and (iii) an amount equal to the sum of (a) the Class A Required Amount for such Business Day, (b) the Class B Required Amount for such Business Day and (c) the CTO Required Amount for such Business Day (such amount called "Redirected Class D Principal Collections") and shall apply Principal Collections allocable to the Series 1998-1 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-1 Finance Charge Collections.

On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to the least of (i) the CTO Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the CTO Floating Percentage or (II) during an Amortization Period, the CTO Fixed/Floating Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the sum of (a) the excess, if any, of the Class A Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day and (b) the excess, if any, of the Class B Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected CTO Principal Collections") and shall apply Principal Collections allocable to the Series 1998-1 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-1 Finance Charge Collections.

On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to

the least of (i) the Class B Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class B Floating Percentage or (II) during an Amortization Period, the Class B Fixed/Floating Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the excess, if any, of the Class A Required Amount for such Business Day over the sum of the amount of Redirected Class D Principal Collections and Redirected CTO Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected Class B Principal Collections") and shall apply Principal Collections allocable to the Series 1998-1 Securities equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-1 Finance Charge Collections.

On each Distribution Date, the Class D Invested Amount will be reduced by the aggregate amount of unreimbursed Redirected Principal Collections for the related Monthly Period. In the event that such reduction would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero and the CTO Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections for such Distribution Date would cause the CTO Invested Amount to be a negative number, the CTO Invested Amount will be reduced to zero and the Class B Invested Amount will be reduced by the amount by which the CTO Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections would cause the Class B Invested Amount to be a negative number on any Distribution Date, the amount of Class B Redirected Principal Collections on such Distribution Date will be an amount not to exceed the amount which would cause the Class B Invested Amount to be reduced to zero.

SECTION 4.15 Determination of LIBOR.

"LIBOR" shall mean, as of any LIBOR Determination Date, the rate for deposits in United States dollars for one month (commencing on the first day of the relevant Interest Accrual Period) which appears on Telerate Page 3750 as of 11:00 A.M., London time, on the LIBOR Determination Date for such Interest Accrual Period. If such rate does not appear on Telerate Page 3750, the rate for such LIBOR Determination Date will be determined on the basis of the rates at which deposits in United States dollars are offered by four major banks in the London interbank market selected by the Servicer at approximately 11:00 a.m., London time, on such LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month (commencing on the first day of the relevant Interest Accrual Period). The Trustee will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, the rate for such LIBOR Determination Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for such LIBOR Determination Date will be the arithmetic mean of the rates quoted by four major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York City time, on the LIBOR Determination Date for loans in United States dollars to leading European banks for a period equal to one month (commencing on the first day of such Interest Accrual Period).

The CTO Interest Rate applicable to the then current and the immediately preceding Interest

Accrual Periods may be obtained by any CTO Securityholder by telephoning the Trustee at (212) 815-5737.

On each LIBOR Determination Date, the Trustee shall send to the Servicer by facsimile notification of LIBOR for such LIBOR Determination Date.

SECTION 4.16 Defeasance Funding Account.

Establishment of the Defeasance Funding Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-1 Securityholders, the "Defeasance Funding Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-1 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Defeasance Funding Account and in all proceeds thereof. The Defeasance Funding Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-1 Securityholders. If, at any time, the institution holding the Defeasance Funding Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Defeasance Funding Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Defeasance Funding Account. From the date such new Defeasance Funding Account is established, it shall be the "Defeasance Funding Account." The Trustee and the Transferor shall have the right to make deposits to the Defeasance Funding Account in accordance with Section 4.18. The Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Defeasance Funding Account from time to time, in the amounts and for the purposes set forth in this Series Supplement, and (ii) on each Transfer Date from and after the commencement of the Defeasance and prior to termination of the Defeasance Funding Account make a deposit into the Principal Account in the amount specified in, and otherwise in accordance with, subsection 4.12 of the Agreement.

Investment of Funds in Defeasance Funding Account. Funds on deposit in the Defeasance Funding Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. Investment earnings (net of investment losses and expenses) on funds on deposit in the Defeasance Funding Account (the "Defeasance Funding Account Investment Proceeds") will be applied on each Transfer Date as if such amount were Available Series 1998-1 Finance Charge Collections on the last Business Day of the preceding Monthly Period. If, for any Interest Accrual Period, the Defeasance Funding Account Investment Proceeds for the related Monthly Period are less than the sum of the Class A Monthly Interest, the Class B Monthly Interest and the CTO Monthly Interest for such Interest Accrual Period, the amount of such deficiency will be paid from the Defeasance Reserve Account to the extent of the Available Defeasance Reserve Account Amount and applied on the applicable Transfer Date as Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding

Monthly Period.

Termination of Defeasance Funding Account. The Defeasance Funding Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement, (b) the date on which the ABC Invested Amount is paid in full and (c) after Defeasance, the earlier of the first Transfer Date with respect to the Early Amortization Period and the CTO Expected Final Payment Date. Upon the termination of the Defeasance Funding Account, all amounts remaining on deposit therein after the payment in full of the Series 1998-1 Securities shall be treated as Shared Principal Collections.

SECTION 4.17 Defeasance Reserve Account. Establishment of the Defeasance Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-1 Securityholders, the "Defeasance Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-1 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Defeasance Reserve Account and in all proceeds thereof. The Defeasance Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-1 Securityholders. If, at any time, the institution holding the Defeasance Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Defeasance Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Defeasance Reserve Account. From the date such new Defeasance Reserve Account is established, it shall be the "Defeasance Reserve Account." The Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Defeasance Reserve Account from time to time, in the amounts and for the purposes set forth in this Series Supplement, and (ii) on each Transfer Date (from and after the Defeasance Reserve Account Funding Date) prior to a Defeasance, make a deposit into the Defeasance Reserve Account in the amount specified in, and otherwise in accordance with, subsection 4.9(a)(xv) of the Agreement.

Administration of Defeasance Reserve Account. On or before each Transfer Date following Defeasance and on the first Transfer Date with respect to the Early Amortization Period, the Trustee at the direction of the Servicer shall withdraw from the Defeasance Reserve Account, up to the Available Defeasance Reserve Account Amount, an amount equal to the excess of the sum of the Class A Monthly Interest, the Class B Monthly Interest, the CTO Monthly Interest and the amount of monthly interest payable with respect to the Class D Securities for the related Interest Accrual Period over the Defeasance Funding Account Investment Proceeds with respect to such Transfer Date, and the amount of such withdrawal shall be applied as Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Investment of Funds in Defeasance Reserve Account. Funds on deposit in the Defeasance Reserve

Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the Defeasance Reserve Account (to the extent the amount on deposit therein is less than the Required Defeasance Reserve Account Amount) or applied on each Transfer Date as Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Termination of Defeasance Reserve Account. The Defeasance Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement, (b) the date on which the ABC Invested Amount is paid in full, (c) prior to Defeasance, the Pay Out Commencement Date and (d) after Defeasance, the earlier of the first Transfer Date with respect to the Early Amortization Period and the CTO Expected Final Payment Date. Upon the termination of the Defeasance Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Defeasance Reserve Account on such date as described above) shall be applied as Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

SECTION 4.18 Defeasance. On the date during the Amortization Period that the following conditions shall have been satisfied: (i) an amount shall have been deposited (x) in the Defeasance Funding Account equal to the sum of the Class A Outstanding Principal Amount, the Class B Outstanding Principal Amount and the CTO Outstanding Principal Amount, which amount shall be invested in Cash Equivalents and (y) in the Defeasance Reserve Account equal to or greater than the excess of the sum of the Class A Monthly Interest, the Class B Monthly Interest and the estimated CTO Monthly Interest over the estimated amount of investment earnings on amounts in the Defeasance Funding Account, as estimated by the Transferor, for each of the Interest Accrual Periods during the period from the date of the deposit to the Defeasance Funding Account through the CTO Expected Final Payment Date (the "Required Defeasance Reserve Account Amount"); (ii) the Transferor shall have delivered to the Trustee an Opinion of Counsel to the effect that such deposit and termination of obligations will not result in the Trust being required to register as an "investment company" within the meaning of the Investment Company Act and an Opinion of Counsel to the effect that following such deposit none of the Trust, the Defeasance Reserve Account or the Defeasance Funding Account will be deemed to be an association (or publicly traded partnership) taxable as a corporation; (iii) the Transferor shall have delivered to the Trustee a certificate of an officer of the Transferor stating that the Transferor reasonably believes that such deposit and termination of its obligations will not constitute a Pay Out Event or any event that, with the giving of notice or the lapse of time, would cause a Pay Out Event to occur; and (iv) the Rating Agency Condition shall have been satisfied; then, the Series 1998-1 Securities will no longer be entitled to the security interest of the Trust in the Receivables and, except those set forth in clause (i) above, other Trust assets ("Defeasance"), the percentages applicable to the allocation to the Series 1998-1 Securityholders of

Principal Collections, Finance Charge Collections, unpaid Adjustment Payments and Default Amounts shall be reduced to zero and the Monthly Servicing Fee shall be reduced to zero; provided, however, that no such Defeasance shall occur for so long as any Class A Charge-Offs, Class B Charge-Offs or CTO Charge-Offs exist. Upon the satisfaction of the foregoing conditions, the Class D Invested Amount shall be reduced to zero.

SECTION 4.19 Revolving Receivables Reserve Account. Establishment of the Revolving Receivables Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-1 Securityholders, the "Revolving Receivables Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-1 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Revolving Receivables Reserve Account and in all proceeds thereof. The Revolving Receivables Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-1 Securityholders. If at any time, the institution holding the Revolving Receivables Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Revolving Receivables Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Revolving Receivables Reserve Account. From the date such new Revolving Receivables Reserve Account is established, it shall be the "Revolving Receivables Reserve Account."

Deposits to the Revolving Receivables Reserve Account. On the Closing Date, the Transferor shall make an initial deposit of \$200,000 to the Revolving Receivables Reserve Account. Amounts shall be deposited in the Revolving Receivables Reserve Account on each Business Day to the extent specified pursuant to subsection 4.9(a)(xiv) of the Agreement.

Withdrawals from the Revolving Receivables Reserve Account. Funds on deposit in the Revolving Receivables Reserve Account shall be withdrawn by the Servicer on each Transfer Date to the extent of any shortfalls in amounts to be paid or deposited pursuant to subsections 4.9(a)(i) through (xiii) of the Agreement as of the end of the day on the last Business Day of the preceding Monthly Period and shall be applied in accordance with subsections 4.9(a)(i) through (xiii) of the Agreement as Available Series 1998-1 Finance Charge Collections as if such amounts were available on the last Business Day of the preceding Monthly Period.

Investment of Funds in Revolving Receivables Reserve Account. Funds on deposit in the Revolving Receivables Reserve Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the Revolving Receivables Reserve Account (to the extent the amount on deposit therein is less than the Required Reserve Account Amount) or applied on each Transfer Date as

Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

Termination of Revolving Receivables Reserve Account. The Revolving Receivables Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the ABC Invested Amount is paid in full. Upon the termination of the Revolving Receivables Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Revolving Receivables Reserve Account on such date as described above) shall be applied as Available Series 1998-1 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

SECTION 4.20 CTO Trigger Event. If (i) the rating of Fingerhut Companies, Inc.'s senior secured notes and, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility is reduced below BBB from Standard & Poor's and below Baa2 from Moody's (a "CTO Trigger Event") and (ii) with respect to any Business Day (x) the percentage equivalent of a fraction the numerator of which is the Series 1998-1 Percentage of the Transferor Interest and the denominator of which is the sum of the Invested Amount and the Series 1998-1 Percentage of the Transferor Interest (the "Target Percentage") is less than 6%, and (y) the amount on deposit in the CTO Reserve Account is less than the Specified CTO Reserve Amount, then (a) the Transferor shall, in connection with increases in the aggregate amount of Principal Receivables in the Trust, the scheduled paydown of other Series or, with respect to any Series of Variable Funding Securities, an optional payment of principal, allow the Transferor Interest to increase such that the Target Percentage shall be equal to or in excess of 6% and/or (b) the Servicer shall cause amounts available pursuant to subsection 4.9(a)(xvi) of the Agreement to be deposited in the CTO Reserve Account until the amount on deposit therein is equal to the Specified CTO Reserve Amount. The Transferor may allow the Transferor Interest to decrease on any Business Day, to the extent that it exceeds the Minimum Transferor Interest and the amount on deposit in the CTO Reserve Account following any such decrease and after giving effect to any deposit therein on such Business Day is at least equal to the Specified CTO Reserve Amount.

SECTION 4.21 CTO Reserve Account. Establishment of the CTO Reserve Account. The Servicer, for the benefit of the CTO Securityholders, shall, upon the occurrence of a CTO Trigger Event, establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the CTO Securityholders, the "CTO Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the CTO Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the CTO Reserve Account and in all proceeds thereof. The CTO Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the CTO Securityholders. If, at any time, the institution holding the CTO

Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new CTO Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new CTO Reserve Account. From the date such new CTO Reserve Account is established, it shall be the "CTO Reserve Account."

Administration of CTO Reserve Account. On each Business Day following the occurrence of a CTO Trigger Event, amounts will be deposited in the CTO Reserve Account in accordance with subsection 4.9(a)(xvi) of the Agreement. Funds on deposit in the CTO Reserve Account shall be withdrawn by the Servicer and applied in accordance with subsection 4.9(a)(xi) of the Agreement as if they were Available Series 1998-1 Finance Charge Collections on any Business Day after the payment in full of the Class A Invested Amount and the Class B Invested Amount to the extent of the aggregate amount of CTO Charge-Offs, if any. Amounts on deposit in the CTO Reserve Account in excess of the Specified CTO Reserve Amount on any Business Day shall be released therefrom and paid to the Transferor. All amounts on deposit in the CTO Reserve Account shall be released therefrom and paid to the Transferor, if the rating of Fingerhut Companies, Inc.'s senior secured notes or, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility is subsequently increased to BBB or higher by Standard & Poor's and Baa2 or higher by Moody's or the CTO Invested Amount has been paid in full.

Investment of Funds in CTO Reserve Account. Funds on deposit in the CTO Reserve Account shall be invested by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the CTO Reserve Account (to the extent the amount on deposit therein is less than the Specified CTO Reserve Amount) or applied on each Business Day as Reserve Account Investment Proceeds.

Termination of CTO Reserve Account. The CTO Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the CTO Invested Amount is paid in full. Upon the termination of the CTO Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the CTO Reserve Account on such date as described above) shall be released therefrom and paid to the Transferor.

SECTION 4.22 Payment Reserve Account.
Establishment of the Payment Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-1 Securityholders, the "Payment Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-1 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Payment Reserve

Account and in all proceeds thereof. The Payment Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-1 Securityholders. If, at any time, the institution holding the Payment Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Payment Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Payment Reserve Account. From the date such new Payment Reserve Account is established, it shall be the "Payment Reserve Account."

Administration of Payment Reserve Account.
The Transferor, at its discretion, may on any Business Day withdraw all or a part of any amounts then on deposit in the Payment Reserve Account and apply such funds as Available Series 1998-1 Finance Charge Collections in accordance with Section 4.9(a) of the Agreement.

Investment on Funds in Payment Reserve Account. Funds on deposit in the Payment Reserve Account shall be invested by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be applied on each Business Day as Reserve Account Investment Proceeds.

Termination of Payment Reserve Account.
The Payment Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the ABC Adjusted Invested Amount is paid in full. Upon the termination of the Payment Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Payment Reserve Account on such date as described above) shall be applied as if they were Available Series 1998-1 Finance Charge Collections available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

SECTION 4.23 Constituent Class D Securities. The Transferor as holder of the Class D Securities may at any time (i) subdivide the Class D Securities into two or more subsidiary Securities, or (ii) redirect all or any portion of the amounts distributable to the Class D Securityholders (pursuant to the application of collections allocable to the Class D Securityholders) to any other Securityholder. In connection with such subdivision, the Transferor may assign an interest rate to the Class D Securities, the "Class D Interest Rate," or a portion thereof and make payments of interest with respect to such Securities from amounts initially allocated to the Series 1998-1 Securities and available pursuant to subsection 4.9(a)(xiii). Before any Class D Securities can be subdivided or transferred, the following conditions must be met: (i) the Trustee and the Transferor shall have received an Opinion of Counsel that such transfer does not adversely affect the conclusions reached in any of the federal or state income tax opinions issued in connection with the original issuance of the Series 1998-1 Securities, (ii) the Transferor shall deliver to the Trustee an officers' certificate stating that in the reasonable belief of the Transferor, such subdivision would not cause a Trust Pay Out Event or a Series 1998-1 Pay Out Event to occur, or an event

which, with notice or lapse of time or both, would constitute a Trust Pay Out Event or a Series 1998-1 Pay Out Event, and (ii) the Rating Agency Condition shall have been satisfied.

SECTION 7 Article V of the Agreement. Article V of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 1998-1 Securities:

ARTICLE V
DISTRIBUTIONS AND REPORTS TO INVESTORSECURITYHOLDERS

SECTION 5.1 Distributions. On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class A Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by each Class A Security held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class A Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each Class A Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Class A Securityholders holding Class A Securities evidencing not less than 80% of the Class A Invested Amount, by wire transfer, at the expense of such Class A Securityholder, to an account or accounts designated by such Class A Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class A Securities will be made only upon presentation and surrender of the Class A Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class B Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Class B Securities held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class B Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each Class B Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Class B Securityholders holding Class B Securities evidencing not less than 80% of the Class B Invested Amount, by wire transfer, at the expense of such Class B Securityholder, to an account or accounts designated by such Class B Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class B Securities will be made only upon presentation and surrender of the Class B Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent

shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each CTO Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Collateralized Trust Obligations held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the CTO Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each CTO Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Securityholders holding Collateralized Trust Obligations evidencing not less than 80% of the CTO Invested Amount, by wire transfer, at the expense of such CTO Securityholder, to an account or accounts designated by such CTO Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Collateralized Trust Obligations will be made only upon presentation and surrender of the Collateralized Trust Obligations at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class D Securityholder of record other than the Transferor on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Class D Securities held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class D Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by wire transfer to each Class D Securityholder to an account or accounts designated by such Class D Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class D Securities will be made only upon presentation and surrender of the Class D Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

SECTION 5.2 Securityholders' Statement.

On the 15th day of each calendar month (or if such day is not a Business Day the next succeeding Business Day), the Paying Agent shall forward to each Securityholder and the Rating Agencies a statement substantially in the form of Exhibit B prepared by the Servicer and delivered to the Trustee and the Paying Agent on the preceding Determination Date setting forth the following information (which, in the case of (i), (ii) and (iii) below, shall be stated on the basis of an original principal amount of \$1,000 per Security and, in the case of (ix) and (x), shall be stated on an aggregate basis and on the basis of an original principal amount of \$1,000 per Security):

the total amount distributed;

the amount of such distribution allocable to Class A Principal, Class B Principal, CTO Principal and Class D Principal;

the amount of such distribution allocable to Class A Monthly Interest and Carryover Class A Monthly Interest, Class B Monthly Interest and Carryover Class B Monthly Interest, CTO Monthly Interest and Carryover CTO Monthly Interest and any amounts payable to the Class D Securityholders with respect to interest;

the amount of Principal Collections processed in the Collection Account during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Securities, respectively;

the amount of Finance Charge Collections processed during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Securities, respectively, and, after the Defeasance Reserve Account Funding Date, the amount of Defeasance Funding Account Investment Proceeds and investment earnings on amounts on deposit in the Defeasance Reserve Account;

the aggregate amount of Principal Receivables, the Invested Amount, the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount, the Class D Invested Amount, the Floating Percentage and, during the Amortization Period, the Fixed/Floating Percentage as of the end of the day on the last day of the related Monthly Period;

the aggregate outstanding balance of Receivables which are current, 30-59, 60-89, and 90 days and over delinquent as of the end of the day on the last day of the related Monthly Period;

the aggregate Series Default Amount for the preceding Monthly Period;

the aggregate amount of Class A Charge-Offs, Class B Charge-Offs, CTO Charge-Offs and Class D Charge-Offs for the preceding Monthly Period;

the amount of the Monthly Servicing Fee for the preceding Monthly Period;

the amount of unreimbursed Redirected Class B Principal Collections, Redirected CTO Principal Collections and Redirected Class D Principal Collections for the related Monthly Period;

the aggregate amount of funds in the Excess Funding Account as of the last day of the Monthly Period immediately preceding the Distribution Date;

whether a CTO Trigger Event has occurred and, if so, the Specified CTO Reserve Amount and the amount then on deposit in the CTO Reserve Account;

the number of new Accounts the Receivables in which have been added to the Trust during the related Monthly Period;

the Portfolio Yield for the related Monthly Period;

the Base Rate for the related Monthly Period;

the Defeasance Funding Account Balance on the related Transfer Date;

the Revolving Receivables Reserve Account balance on the related Transfer Date; and

the amount of Defeasance Funding Account Investment Proceeds deposited in the Collection Account on the related Transfer Date, the Required Defeasance Reserve Account Amount and the Available Defeasance Reserve Account Amount as of the related Transfer Date.

Annual Securityholders' Tax Statement. On or before January 31 of each calendar year, beginning with calendar year 1999, the Paying Agent shall distribute to each Person who at any time during the preceding calendar year was a Series 1998-1 Securityholder, a statement prepared by the Servicer containing the information required to be contained in the regular report to Series 1998-1 Securityholders, as set forth in subclauses (i), (ii) and (iii) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 1998-1 Securityholder, together with, on or before January 31 of each year, beginning in 1999, such other customary information (consistent with the treatment of the Securities as debt) as the Trustee or the Servicer deems necessary or desirable to enable the Series 1998-1 Securityholders to prepare their tax returns. Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Internal Revenue Code as from time to time in effect.

SECTION 8 Series 1998-1 Pay Out Events. If any one of the following events shall occur with respect to the Series 1998-1 Securities:

failure on the part of the Transferor (i) to make any payment or deposit required to be made by the Transferor by the terms of (A) the Agreement or (B) this Series Supplement, on or before the date occurring five Business Days after the date such payment or deposit is required to be made herein, (ii) to perform in all material respects the Transferor's covenant not to sell, pledge, assign, or transfer to any Person, or grant any unpermitted lien on, any Receivable; or (iii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set forth in the Agreement or this Series Supplement, which failure has a material adverse effect on the Series 1998-1 Securityholders and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of Series 1998-1 Securities evidencing Undivided Interests aggregating not less than 50% of the Invested Amount of this Series 1998-1, and continues to affect materially and adversely the interests of the Series 1998-1 Securityholders for such period;

any representation or warranty made by the Transferor in the Agreement or this Series Supplement, (i) shall prove to have been incorrect in any material respect when made, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of the Series 1998-1 Securities evidencing Undivided Interests aggregating more than 50% of the Invested Amount of this Series 1998-1, and (ii) as a result of which the interests of the Series 1998-1 Securityholders are materially and adversely affected and continue to be materially and adversely affected for such period; provided, however, that a Series 1998-1 Pay Out Event pursuant to this subsection 8(b) shall not be deemed to have occurred hereunder if the Transferor has accepted

reassignment of the related Receivable, or all of such Receivables, if applicable, during such period (or such longer period as the Trustee may specify) in accordance with the provisions of the Agreement;

(c) Fingerhut shall consent to the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to all or substantially all of its property; or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against Fingerhut; or Fingerhut shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute including the U.S. bankruptcy code, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations;

(d) the average of the Portfolio Yields for any three consecutive Monthly Periods is reduced to a rate which is less than the weighted average Base Rates for such three consecutive Monthly Periods;

(e) (i) the Transferor Interest shall be less than the Minimum Transferor Interest, (ii) the total amount of Principal Receivables and the amount on deposit in the Excess Funding Account shall be less than the Minimum Aggregate Principal Receivables or (iii) the Retained Percentage shall be equal to or less than 2%, in each case as of any Determination Date and, in each case, shall not exceed the required amount on or prior to the tenth Business Day following such Determination Date;

(f) any Servicer Default shall occur which would have a material adverse effect on the Series 1998-1 Securityholders;

then, in the case of any event described in subparagraph (a), (b) or (f), after the applicable grace period, if any, set forth in such subparagraphs, the Holders of Series 1998-1 Securities evidencing more than 50% of the Invested Amount of this Series 1998-1, by notice then given in writing to the Trustee, the Transferor and the Servicer may declare that a pay out event (a "Series 1998-1 Pay Out Event") has occurred as of the date of such notice, and in the case of any event described in subparagraphs (c), (d) or (e), a Series 1998-1 Pay Out Event shall occur without any notice or other action on the part of the Trustee or the Series 1998-1 Securityholders immediately upon the occurrence of such event.

SECTION 9 Collateralized Trust Obligation Defaults and Remedies. (a) "CTO Default," wherever used herein, means any one of the following events (whatever the reason for such CTO Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) There is a CTO Monthly Interest Shortfall on two consecutive Distribution Dates; or

(2) There is a CTO Charge-Off on three consecutive Distribution Dates.

(b) If a CTO Default shall have occurred, upon the direction of CTO Securityholders holding more than 50% of the CTO Invested Amount:

(i) the Specified CTO Reserve Amount shall thereafter be equal to the CTO Outstanding Principal Amount;

(ii) following the payment in full of the Class A Invested and the Class B Invested Amount, the Trustee shall sell or cause to be sold, and the Trustee shall pay the proceeds to the Series 1998-1 Securityholders in final payment of all principal of and accrued interest on such Series to be applied first to the CTO Invested Amount until paid in full and then to the Class D Invested Amount until paid in full, an amount of Principal Receivables and the related Finance Charge Receivables (or interests therein) up to 110% of the Invested Amount at the close of business on such date; provided, that the amount of such Principal Receivables shall not exceed the sum of (1) the product of (A) the Transferor Percentage on the date of any such sale, (B) the aggregate outstanding Principal Receivables on such date and (C) a fraction the numerator of which is the Invested Amount on such date and the denominator of which is the sum of the invested amounts of all Series and the aggregate Participation Amounts of all Participations then outstanding and (2) the Invested Amount on such date. The Transferor shall be permitted to purchase such Receivables in such case and shall have a right of first refusal with respect thereto to the extent of a bona fide offer by an unrelated third party for fair value. Any proceeds of such sale in excess of such principal and interest paid shall be paid to the Transferor. Upon such sale, final payment of all amounts allocable to any Class of such Series shall be made in the manner provided in Section 12.3 of the Agreement.

The Servicer shall provide written notice to the Rating Agencies of any such direction of a majority of the CTO Invested Amount.

SECTION 10 Series 1998-1 Termination. The right of the Series 1998-1 Securityholders to receive payments from the Trust will terminate on the first Business Day following the Series 1998-1 Termination Date unless such Series is an Affected Series as specified in Section 12.1(c) of the Agreement and the sale contemplated therein has not occurred by such date, in which event the Series 1998-1 Securityholders shall remain entitled to receive proceeds of such sale when such sale occurs.

SECTION 11 Legends; Transfer and Exchange; Restrictions on Transfer of Series 1998-1 Securities; Tax Treatment. Each Class A Security, Class B Security and Collateralized Trust Obligation will bear a legend or legends in substantially the following form:

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

Each Security Owner by virtue of its beneficial interest in the Class A Securities or Class B Securities, as applicable, shall be deemed to have made the representations and warranties stated in such legend.

Each Class A Security and Class B Security and each Collateralized Trust Obligation that is a CTO Global Security deposited with DTC, or a custodian on behalf of DTC, shall bear the following legend:

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Each Collateralized Trust Obligation that is issued pursuant to Rule 144A shall bear the following legend:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY, UNLESS SUCH PERSON ACQUIRED THIS SECURITY IN A TRANSFER DESCRIBED IN CLAUSE (2) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

Each Collateralized Trust Obligation that is issued pursuant to Regulation S shall bear the following legend:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Each Class D Security will bear legends substantially in the following form:

THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. TRANSFERS OF THIS SECURITY SHALL BE SUBJECT TO THE RESTRICTIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

SECTION 12 Compliance with Withholding Requirements. Notwithstanding any other provision of the Agreement, the Trustee and any Paying Agent shall comply with all Federal withholding requirements with respect to payments to the Series 1998-1 Securityholders of interest, original issue discount, or other amounts that the Trustee, any Paying Agent, the Servicer or the Transferor reasonably believes are applicable under the Internal Revenue Code. The consent of the Series 1998-1 Securityholders shall not be required for any such withholding. In the event the Trustee or the Paying Agent withholds any amount from payments made to any Series 1998-1 Securityholder pursuant to federal withholding requirements, the Trustee or the Paying Agent shall indicate to such Series 1998-1 Securityholder the amount withheld and all such amounts shall be deemed to have been paid to such Series 1998-1 Securityholders and the Series 1998-1 Securityholders shall have no claim therefor.

SECTION 13 Ratification of Agreement. As supplemented by this Series Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Series Supplement shall be read, taken, and construed as one and the same instrument. The Transferor hereby confirms the conveyance of the Trust Property to the Trustee for the benefit of the Series 1998-1 Securityholders.

For so long as any of the Collateralized Trust Obligations are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and during any period in which the Trust is not subject to Section 13 or 15(d) of the Exchange Act, each of the Transferor, the Servicer and the Trustee agree to cooperate with each other to provide to any CTO Securityholder, and to any prospective purchaser of Collateralized Trust Obligations designated by such CTO Securityholder upon the request of such CTO Securityholder or prospective purchaser, the information required by Rule 144A(d)(4) under the Securities Act.

SECTION 14 Counterparts. This Series Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 15 GOVERNING LAW. THIS SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 16 Instructions in Writing. All instructions or other communications given by the Servicer or any other Person to the Trustee pursuant to this Series Supplement shall be in writing, and, with respect to the Servicer, may be included in a Daily Report or Settlement Statement.

SECTION 17. Paired Series. Subject to the satisfaction of the Rating Agency Condition, prior to the commencement of the Early Amortization Period the Series 1998-1 Securities may be paired with one or more other Series (each, a "Paired Series"). Each Paired Series either will be pre-funded with an initial deposit to a pre-funding account in an amount up to the initial principal amount of such Paired Series primarily from the proceeds of the sale of such Paired Series or will have a variable principal amount. Any such pre-funding account will be held for the benefit of such Paired Series and not for the benefit of the Series 1998-1 Securityholders. As amounts are paid for the benefit of the Class A Securityholders, Class B Securityholders and CTO Securityholders, either (i) in the case of a pre-funded Paired Series, an equal amount of funds on deposit in any pre-funding account for such pre-funded Paired Series will be released (which funds will be distributed to the Transferor) or (ii) in the case of a Paired Series having a variable principal amount, an interest in such variable Paired Series in an equal or lesser amount may be sold by the Trust (and the proceeds thereof will be distributed to the Transferor) and, in either case, the invested amount in the Trust of such Paired Series will increase by up to a corresponding amount. Upon payment in full of the Series 1998-1 Securities, assuming that there have been no unreimbursed charge-offs with respect to any related Paired Series, the aggregate invested amount of such related Paired Series will have been increased by an amount up to an aggregate amount equal to the Invested Amount paid to the Series 1998-1 Securityholders since the issuance of such Paired Series. The issuance of a Paired Series will be subject to the conditions described in subsection 6.9(b) of the Agreement.

SECTION 18 Registration of the Class A Securities under the Securities Exchange Act of 1934. The Transferor shall cause the Class A Securities to be registered under the Securities Exchange Act of 1934, as amended, on or before February, 1999.

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this Series 1998-1 Supplement to be duly executed by their respective officers as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
Transferor

By: /s/ James M. Wehmann
Name: James M. Wehmann
Title: President and Treasurer

FINGERHUT NATIONAL BANK
Servicer

By: /s/ James M. Wehmann
Name: James M. Wehmann
Title: Treasurer

THE BANK OF NEW YORK (DELAWARE)
Trustee

By: /s/ Cheryl L. Laser
Name: Cheryl L. Laser
Title: Assistant Vice President

Exhibit A-1

FORM OF CLASS A INVESTOR SECURITY

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____

CUSIP NO. 31786YAD2

FINGERHUT MASTER TRUST
6.07% ASSET BACKED SECURITY,
SERIES 1998-1, CLASS A

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of
Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut
National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor,

Fingerhut National Bank, as Servicer (the "Servicer"), and The Bank of New York (Delaware) as Trustee (the "Trustee"), and the Series 1998-1 Supplement, dated as of April 28, 1998 (the "Series 1998-1 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-1 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 6.07% Asset Backed Securities, Series 1998-1, Class A" (the "Class A Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

The Transferor has structured the Agreement, the Class A Securities, the Fingerhut Master Trust 6.29% Asset Backed Securities, Series 1998-1, Class B (the "Class B Securities" and collectively with the Class A Securities, the "Offered Securities") and the Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-1, Collateralized Trust Obligations (the "Collateralized Trust Obligations") with the intention that the Offered Securities and the Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class A Security (a "Class A Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class A Securities for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the Class A Securityholders until the first Distribution Date in the Amortization Period. No principal will be payable to the Class B Securityholders, CTO Securityholders or Class D Securityholders (other than with respect to Class D Excess Amounts) until all principal payments have been made to the Class A Securityholders.

Interest on the Class A Securities will be payable on June 15, 1998 and on the 15th day of each month thereafter or, if such day is not a business day, on the next succeeding business day (each, a "Distribution Date"), in an amount equal to the product of (i) the Class A Interest Rate, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class A Securities as of the close of business on the first day of such Interest Accrual Period provided that interest for the first Distribution Date will be an amount equal to the product of (u) the initial Class A Invested Amount, (v) 47 divided by 360, and (w) the Class A Interest Rate.

Interest payments on the Class A Securities on each Distribution Date will be funded from Available Series 1998-1 Finance Charge Collections with respect to the preceding Monthly Period (or, with respect to the first Distribution Date, such collections from and including the Closing Date to and including May 29, 1998 plus the amount of the initial deposit to the Interest Funding Account to be made on the Closing Date) and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the respective classes of the Securities and deposited on each business day during such Monthly Period in

the Interest Funding Account.

"Class A Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount reimbursed with respect to reductions of the Class A Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (c); provided, however, that the Class A Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class A Invested Amount of the Class A Securities, which may be less than the unpaid balance of the Class A Securities pursuant to the terms of the Agreement. All principal on the Class A Securities is due and payable no later than the February 2005 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-1 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-1 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-1 Securities are paid in full (the "Series 1998-1 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class A Securities. In the event that the Class A Invested Amount is greater than zero on the Series 1998-1 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-1 Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

Exhibit A-2

FORM OF CLASS B INVESTOR SECURITY

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

No. ____ \$ _____
CUSIP NO. 31786YAE0

FINGERHUT MASTER TRUST
6.29% ASSET BACKED SECURITY,
SERIES 1998-1, CLASS B

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the

Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor, Fingerhut National Bank, as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-1 Supplement, dated as of April 28, 1998 (the "Series 1998-1 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-1 Supplement, is herein referred to as the "Agreement". The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 6.29% Asset Backed Securities, Series 1998-1, Class B" (the "Class B Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

The Transferor has structured the Agreement, the Class B Securities, the Fingerhut Master Trust 6.07% Asset Backed Securities, Series 1998-1, Class A (the "Class A Securities" and collectively with the Class B Securities the "Offered Securities") and the Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-1, Collateralized Trust Obligations (the "Collateralized Trust Obligations") with the intention that the Offered Securities and the Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class B Security (a "Class B Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class B Securities for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the Class B Securityholders until the earlier of the Class B Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount had been paid in full. No principal will be payable to the Class B Securityholders until all principal payments have been made to the Class A Securityholders. No principal payments will be made to the CTO Securityholders or Class D Securityholders (other than with respect to Class D Excess Amounts) until the Distribution Date either on or following the Distribution Date on which the Class B Invested Amount has been paid in full.

Interest on the Offered Securities will be payable on June 15, 1998 and on the 15th day of each month thereafter or, if such day is not a business day, on the next succeeding business day (each, a "Distribution Date"), in an amount equal to (1) with respect to the Class A Securities an amount equal to the product of (i) the Class A Interest Rate, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class A Securities as of the close of business on the first day of such Interest Accrual Period and (2) with respect to the Class B Securities (a) the product of (i) the Class B Interest Rate, (ii) a fraction the

numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class B Securities as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the initial Class B Invested Amount, (v) 47 divided by 360, and (w) the Class B Interest Rate.

Interest payments on the Class A Securities on each Distribution Date will be funded from Available Series 1998-1 Finance Charge Collections with respect to the preceding Monthly Period (or, with respect to the first Distribution Date, such collections from and including the Closing Date to and including May 29, 1998 plus the amount of the initial deposit to the Interest Funding Account to be made on the Closing Date) and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the respective classes of the Securities and deposited on each business day during such Monthly Period in the Interest Funding Account.

Subject to the prior payment of interest on the Class A Securities, interest payments on the Class B Securities on each Distribution Date will be funded from the portion of Available Series 1998-1 Finance Charge Collections with respect to the preceding Monthly Period and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the Class B Securities and deposited on each business day during such Monthly Period in the Interest Funding Account.

"Class B Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections through and including such Business Day for which neither the Class D Invested Amount nor the CTO Invested Amount has been reduced on all prior Distribution Dates pursuant to subsection 4.14(e) of the Agreement, and plus (e) the sum of the aggregate amount reimbursed with respect to reductions of the Class B Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(x) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) and (b), of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class B Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class B Invested Amount of the Class B Securities, which may be less than the unpaid balance of the Class B Securities pursuant to the terms of the Agreement. All principal on the Class B Securities is due and payable no later than the February 2005 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-1 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-1 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-1 Securities are paid in full (the "Series 1998-1 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class B Securities. In the event that the Class B Invested Amount is greater than zero on the Series 1998-1 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-1 Securities), and shall pay the proceeds to the Class A Securityholders pro rata - in final payment of the Class A Securities, then to the Class B

Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

Exhibit A-3

FORM OF COLLATERALIZED TRUST OBLIGATION

[Each Collateralized Trust Obligation that is a CTO Global Security deposited with DTC, or a custodian on behalf of DTC, shall bear the following legend:]

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[Each Collateralized Trust Obligation that is issued pursuant to Rule 144A shall bear the following legend:]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE

SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY, UNLESS SUCH PERSON ACQUIRED THIS SECURITY IN A TRANSFER DESCRIBED IN CLAUSE (2) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

[Each Collateralized Trust Obligation that is issued pursuant to Regulation S shall bear the following legend:]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

[Each Collateralized Trust Obligation shall bear the following legends:]

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____
CUSIP NO. 31786YAH3

FINGERHUT MASTER TRUST
FLOATING RATE ASSET BACKED
COLLATERALIZED TRUST OBLIGATION, SERIES 1998-1

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by certain subsidiaries of Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests

constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor, Fingerhut National Bank as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-1 Supplement, dated as of April 28, 1998 (the "Series 1998-1 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-1 Supplement, is herein referred to as the "Agreement." The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-1, Collateralized Trust Obligations (the "Collateralized Trust Obligations"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the CTO Securityholder by virtue of the acceptance hereof assents and by which the CTO Securityholder is bound.

The Transferor has structured the Agreement, the Collateralized Trust Obligations, the Fingerhut Master Trust 6.07% Asset Backed Securities, Series 1998-1, Class A (the "Class A Securities") and the Fingerhut Master Trust 6.29% Asset Backed Securities, Series 1998-1, Class B (the "Class B Securities") with the intention that the Class A Securities, Class B Securities and Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Collateralized Trust Obligation (a "CTO Securityholder") or any interest therein by acceptance of its Collateralized Trust Obligation or any interest therein, agrees to treat the Collateralized Trust Obligations for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the CTO Securityholders until the earlier of the Class C Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount and the Class B Invested Amount have been paid in full. No principal payments will be payable to the CTO Securityholders until the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount and Class B Invested Amount have been paid in full.

Interest on the Collateralized Trust Obligations will be payable on June 15, 1998 and on each Distribution Date thereafter, in an amount equal to the product of (i) a per annum rate .80% in excess of LIBOR (the "CTO Interest Rate"), (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the CTO Invested Amount as of the close of

business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the sum of (I) the product of (u) the initial CTO Invested Amount, (v) 48 divided by 360, and (w) the CTO Interest Rate.

Subject to the prior payment of interest on the Class A Securities and Class B Securities, interest payments on the Class C Securities on each Distribution Date will be funded from the portion of Available Series 1998-1 Finance Charge Collections with respect to the preceding Monthly Period and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the Collateralized Trust Obligations and deposited on each business day during such Monthly Period in the Interest Funding Account.

"CTO Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders through and including such Business Day, minus (c) the aggregate amount of CTO Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected CTO Principal Collections and Redirected Class B Principal Collections through and including such Business Day for which the Class D Invested Amount has not been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the CTO Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xi) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a), of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the CTO Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid CTO Invested Amount of the Collateralized Trust Obligations, which may be less than the unpaid balance of the Collateralized Trust Obligations pursuant to the terms of the Agreement. All principal on the Collateralized Trust Obligations is due and payable no later than the February 2005 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-1 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-1 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-1 Securities are paid in full (the "Series 1998-1 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Collateralized Trust Obligations. In the event that the CTO Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-1 Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Collateralized Trust Obligations referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

Exhibit A-4

FORM OF CLASS D INVESTOR SECURITY

THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. TRANSFERS OF THIS SECURITY SHALL BE SUBJECT TO THE RESTRICTIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____

FINGERHUT MASTER TRUST
0% ASSET BACKED
SECURITY, SERIES 1998-1, CLASS D

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment or Supplement thereto) by and between the Transferor, Fingerhut National Bank as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-1 Supplement, dated as of April 28, 1998 (the "Series 1998-1 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-1 Supplement, is herein referred to as the "Agreement." The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 0% Asset Backed Securities, Series 1998-1, Class D" (the "Class D Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

Fingerhut Receivables, Inc. shall be prohibited from transferring any interest in or portion of the Class D Security.

No principal will be payable to the Class D Securityholders (other than with respect to Class D Excess Amounts) until the earlier of the Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which Class A Invested Amount, Class B Invested Amount and the CTO Invested Amount have been paid in full. No principal will be payable to the Class D Securityholders until all principal payments have first been made to the Class A Securityholders, Class B Securityholders and CTO Securityholders.

"Class D Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class D Securityholders through and including

such Business Day and reductions of the Class D Invested Amount pursuant to subsection 4.12(d), minus (c) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Principal Collections through and including such Business Day for which the Class D Invested Amount has been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the Class D Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class D Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class D Invested Amount of the Class D Securities, which may be less than the unpaid balance of the Class D Securities pursuant to the terms of the Agreement. All principal on the Class D Securities is due and payable no later than the February 2005 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-1 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-1 Termination Date or (ii) the day after the Distribution Date on which the Series 1998-1 Securities are paid in full (the "Series 1998-1 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class D Securities. In the event that the Class D Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investors Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class D Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

EXHIBIT B

[Form of Monthly Securityholders' Statement]

EXHIBIT C

FORM OF CLEARING SYSTEM CERTIFICATE

Fingerhut Receivables, Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust Series 1998-1

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-1 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

This is to certify that, based solely on certifications we have received in writing, by telex or by electronic transmission from member organizations appearing in our records as Persons being entitled to a portion of the principal amount set forth below (our "Member Organizations"), as of the date hereof, \$ principal amount of the Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs") (i) is beneficially owned by persons that are not U.S. persons or (ii) is owned by U.S. persons who purchased the CTOs in transactions that did not require registration under the United States Securities Act of 1933, as amended (the "Securities Act"). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act.

We further certify (i) that we are not making available herewith for exchange (or, if relevant, for the payment of interest on) any portion of the Temporary Regulation S Global Security excepted in such Member Organization certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with

respect to any portion of the part submitted herewith for exchange (or, if relevant, for the payment of interest on) are no longer true and cannot be relied upon at the date hereof.

We understand that this certification is required in connection with certain tax laws of the United States. In connection therewith, if administrative and legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Date: ____ *.

Yours faithfully,

[MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Brussels office, as operator of the Euroclear System

or

CEDEL BANK, SOCIETE ANONYME]**

By: _____

EXHIBIT D

FORM OF MEMBER ORGANIZATION CERTIFICATE

Fingerhut Receivables, Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust Series 1998-1

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-1 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware) as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

This is to certify that, as of the date hereof and except as set forth below, the Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs") held by you for our account (i) are beneficially owned by persons that are not U.S. persons or (ii) are owned by U.S. persons who purchased the CTOs in transactions that did not require registration under the United States Securities Act of 1933, as amended (the "Securities Act"). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the CTOs held by you for our account in accordance with your documented procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certificate applies as of such date.

This certificate excepts and does not relate to U.S. \$_____ in principal amount of CTOs held by you for our account, in respect of which we are not able to certify beneficial ownership. We understand that exchange and delivery of beneficial interests in the Regulation S Global Security or Rule 144A Global Security cannot be made until we do so certify.

We understand that this certificate is required in connection with certain securities and tax laws of the United States of America. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings. As used herein, "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island, and Northern Mariana Islands) and other areas subject to its jurisdiction.

Dated: _____, 199_*

Yours faithfully,

[Name of Person giving
the certificate]

By:

EXHIBIT E

FORM OF REGULATION S TRANSFER CERTIFICATE

Fingerhut Receivables Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Attention: Corporate Trust Division

Re: Fingerhut Master Trust Series 1998-1

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-1 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement") each by and among Fingerhut Receivables, Inc. as Transferor, and Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

[NOTE: INSERT [A] FOR A TRANSFER PRIOR TO THE EXCHANGE DATE OF AN

INTEREST IN A RULE 144A GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A TEMPORARY REGULATION S GLOBAL SECURITY. INSERT [B] FOR A TRANSFER ON OR AFTER THE EXCHANGE DATE OF AN INTEREST IN A RULE 144A GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A REGULATION S GLOBAL SECURITY.]

[A] This letter relates to U.S. \$_____ in principal amount of Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs") which are held as a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) with DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest for an interest in a CTO Temporary Regulation S Global Security (CUSIP No. _____) to be held with [the Euroclear System] [Cedel Bank, Societe Anonyme] through DTC.

[B] This letter relates to U.S. \$_____ in principal amount of Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs"), which are held as a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) with DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest for an interest in a CTO Regulation S Global Security (CUSIP No. _____) to be held with [the Euroclear System][Cedel Bank, Societe Anonyme] through DTC.

[NOTE: INSERT [C] IN ALL CASES UNLESS [D] IS INSERTED IN ACCORDANCE WITH THE NEXT SENTENCE. AT THE OPTION OF THE TRANSFEROR, [C] MAY BE INSERTED IN PLACE OF [D] ON AND AFTER THE CTO EXCHANGE DATE IN CASES OF A TRANSFER INTO A CTO REGULATION S GLOBAL SECURITY.]

[C] In connection with such request and in respect of such CTOs, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Pooling and Servicing Agreement and such CTOs and pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor does hereby certify that:

(i) the offer of the CTOs was not made to a Person in the United States,

(i) [at the time the buy order was originated, the transferee was outside the United States, or the Transferor and any Person acting on its behalf reasonably believed that the transferee was outside the United States,]**

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any Person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States,]*

(i) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable, and

(i) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

[D] In connection with such request and in respect of such CTOs, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Pooling and Servicing Agreement and the CTOs, and that the CTOs are being transferred in a transaction permitted by Rule 144A under the Securities Act.

This certificate and the statements contained herein are made for the benefit of the Trustee and the benefit of the Transferor and the initial purchaser.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

EXHIBIT F

FORM OF RULE 144A TRANSFER CERTIFICATE

Fingerhut Receivables
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust
Series 1998-1

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998, as supplemented by the Series 1998-1 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

[NOTE: INSERT [A] FOR A TRANSFER PRIOR TO THE EXCHANGE DATE OF AN INTEREST IN A TEMPORARY REGULATION S GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RULE 144A GLOBAL SECURITY. INSERT [B] FOR A TRANSFER AFTER THE EXCHANGE DATE OF AN INTEREST IN A REGULATION S GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RULE 144A GLOBAL SECURITY.]

[A] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs") which are held in the form of a beneficial interest in the CTO Temporary Regulation S Global Security (CUSIP No. _____) with [The Euroclear System] [Cedel Bank, Societe Anonyme] (Common Code No. _____) through DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the CTOs for a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) to be held with DTC in the name of [insert name of transferee].

[B] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-1, Collateralized Trust Obligations (the "CTOs") which are held in the form of a beneficial interest in the CTO Regulation S Global Security

(CUSIP No. _____) with [The Euroclear System] [Cedel Bank, Societe anonyme] (Common Code No. _____) through the DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the CTOs for a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) to be held with the DTC in the name of [insert name of transferee].

In connection with such request, and in respect of such CTOs, the Transferor does hereby certify that such CTOs are being transferred in accordance with (i) the transfer restrictions set forth in the Pooling and Servicing Agreement and the CTOs and (ii) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the CTOs for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and such transferee is aware that the sale to it is being made in reliance upon Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for the benefit of the Trustee, the benefit of the Transferor and the initial purchaser.

[Insert Name of Transferor]

By:

Name:

Title:

Dated: _____,

* This certificate is to be dated on the CTO Exchange Date or, if applicable, the subsequent date on which the CTO Regulation S Global Security is delivered to the undersigned in definitive form.

** Delete the inappropriate reference.

* This certificate must be dated no earlier than 15 days prior to the CTO Exchange Date.

** Insert one of these two provisions, which come from the definition of "offshore transaction" in Regulation S.

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of the Series 1998-2 Securityholders

SERIES 1998-2 SUPPLEMENT

Dated as of April 28, 1998

to

AMENDED AND RESTATED
POOLING AND SERVICING AGREEMENT
Dated as of March 18, 1998

FINGERHUT MASTER TRUST

\$337,500,000 6.07% Asset Backed
Securities, Series 1998-2, Class A

\$51,136,000 6.29% Asset Backed
Securities, Series 1998-2, Class B

\$61,364,000 Floating Rate Asset Backed
Collateralized Trust Obligation, Series 1998-2

\$61,364,000 0% Asset Backed Securities,
Series 1998-2, Class D

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EXHIBITS

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SERIES 1998-2 SUPPLEMENT, dated as of April 28, 1998 (this "Series Supplement") by and among FINGERHUT RECEIVABLES, INC., a corporation organized and existing under the laws of the State of Delaware, as Transferor (the "Transferor"), FINGERHUT NATIONAL BANK, a national banking association organized under the laws of

the United States, as Servicer (the "Servicer"), and THE BANK OF NEW YORK (DELAWARE), a Delaware banking corporation organized and existing under the laws of the State of Delaware as trustee (together with its successors in trust thereunder as provided in the Agreement referred to below, the "Trustee"), under the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as amended, supplemented or otherwise modified from time to time (the "Agreement"), among the Transferor, the Servicer and the Trustee.

Section 6.9 of the Agreement provides, among other things, that the Transferor and the Trustee may at any time and from time to time enter into a supplement to the Agreement for the purpose of authorizing the issuance by the Trustee to the Transferor, for execution and redelivery to the Trustee for authentication, of one or more Series of Securities.

Pursuant to this Series Supplement, the Transferor and the Trustee shall create a new Series of Investor Securities and shall specify the Principal Terms thereof.

SECTION 1 Designation. There is hereby created a Series to be issued pursuant to the Agreement and this Series Supplement to be known generally as the "Series 1998-2 Securities." Series 1998-2 shall consist of four Classes, which shall be designated generally as the 6.23% Asset Backed Securities, Series 1998-2, Class A (the "Class A Securities"), the 6.51% Asset Backed Securities, Series 1998-2, Class B (the "Class B Securities"), the Floating Rate Asset Backed Collateralized Trust Obligations, Series 1998-2 (the "Collateralized Trust Obligations") and the 0% Asset Backed Securities, Series 1998-2, Class D (the "Class D Securities").

SECTION 2 Definitions. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Agreement, the terms and provisions of this Series Supplement shall govern with respect to the Series 1998-2 Securities. All Article, Section or subsection references herein shall mean Articles, Sections or subsections of the Agreement, as amended or supplemented by this Series Supplement, except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Agreement. Each capitalized term defined herein shall relate only to the Series 1998-2 Securities and no other Series of Securities issued by the Trust.

"ABC Adjusted Invested Amount" shall mean as of any Business Day the sum of the Class A Adjusted Invested Amount, the Class B Adjusted Invested Amount and the CTO Adjusted Invested Amount minus the amount then on deposit in the Defeasance Funding Account.

"ABC Invested Amount" shall mean as of any Business Day the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Additional Interest" shall mean, at any time of determination, the sum of the Class A Additional Interest, Class B Additional Interest and CTO Additional Interest.

"Adjusted Invested Amount" shall mean as of any Business Day the Invested Amount minus the sum of the amount then on deposit in the Principal Account and the Series 1998-2 Percentage of the amount then on deposit in the Excess Funding Account.

"Amortization Period" shall mean the period commencing on the Amortization Period Commencement Date and continuing until the earlier of (x) the Invested Amount of the Securities being paid in full or (y) the Series 1998-2 Termination Date.

"Amortization Period Commencement Date" shall mean the earlier of the first day of the August 2002 Monthly Period or the

Pay Out Commencement Date.

"Available Defeasance Reserve Account Amount" shall mean, with respect to any Business Day, the lesser of (a) the amount on deposit in the Defeasance Reserve Account as of such Business Day (before giving effect to any withdrawal made or to be made pursuant to Section 4.17 of the Agreement from the Defeasance Reserve Account on such Transfer Date) and (b) the Required Defeasance Reserve Account Amount for such Transfer Date.

"Available Series 1998-2 Finance Charge Collections" shall have the meaning specified in subsection 4.9(a) of the Agreement.

"Available Series 1998-2 Principal Collections" shall mean, with respect to any Monthly Period or portion thereof commencing on the Amortization Period Commencement Date, an amount equal to the sum of (i) an amount equal to the Fixed/Floating Percentage on each Business Day during such period of all Principal Collections (less the amount of Redirected Principal Collections) received during such period, (ii) any amount on deposit in the Excess Funding Account allocated to the Series 1998-2 Securities pursuant to subsection 4.3(f) of the Agreement with respect to such period, (iii) an amount equal to the sum of the aggregate Series Default Amount with respect to such period and the Series 1998-2 Percentage of any unpaid Adjustment Payments paid pursuant to subsections 4.9(a)(v) and 4.9(a)(vi) of the Agreement with respect to such period and any reimbursements of unreimbursed Series Charge-Offs pursuant to subsections 4.9(a)(vii), (x), (xi) and (xii) of the Agreement with respect to such period plus in each case, amounts applied with respect thereto pursuant to subsections 4.10(a) and (b), 4.14(a), (b) and (c), 4.16(b) and 4.17(b), (c) and (d) of the Agreement, and (iv) the aggregate Shared Principal Collections allocated to the Series 1998-2 Securities pursuant to Section 4.8 of the Agreement with respect to such period.

"Base Rate" shall mean, with respect to any Monthly Period, the sum of (i) the weighted average of the Class A Interest Rate, the Class B Interest Rate, the CTO Interest Rate and, if an interest rate is assigned to the Class D Securities pursuant to Section 4.23 of the Agreement, the Class D Interest Rate as of the last day of such Monthly Period (weighted based on the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and, following the assignment of an interest rate to the Class D Securities, the Class D Invested Amount or portion thereof with respect to which an interest rate has been assigned, respectively, as of the last day of such Monthly Period) plus (ii) the product of 2.00% per annum and the percentage equivalent of a fraction the numerator of which is the Adjusted Invested Amount and the denominator of which is the Invested Amount, each as of the beginning of the day on the first day of such Monthly Period.

"Carryover Class A Monthly Interest" shall mean with respect to any Business Day (a) any Class A Monthly Interest Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any Class A Additional Interest due on the Distribution Date in the next succeeding Monthly Period.

"Carryover Class B Monthly Interest" shall mean with respect to any Business Day (a) any Class B Monthly Interest Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any Class B Additional Interest due on the next succeeding Distribution Date in the next succeeding Monthly Period.

"Carryover CTO Monthly Interest" shall mean with respect to any Business Day (a) any CTO Monthly Interest Shortfall with respect to the Distribution Date in the then current Monthly Period plus (b) any CTO Additional Interest due

on the next succeeding Distribution Date in the next succeeding Monthly Period.

"Class A Additional Interest" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current Class A Invested Amount minus the amount then on deposit in the Principal Account on such date of determination.

"Class A Charge-Offs" shall have the meaning specified in subsection 4.13(d) of the Agreement.

"Class A Controlled Amortization Amount" shall mean \$22,500,000.

"Class A Controlled Distribution Amount" shall mean, with respect to any Distribution Date, an amount equal to the Class A Controlled Amortization Amount plus any existing Class A Deficit Controlled Amortization Amount determined on the preceding Distribution Date, if any.

"Class A Deficit Controlled Amortization Amount" shall mean zero on the initial Distribution Date with respect to the Controlled Amortization Period and, on any subsequent Distribution Date, the excess, if any, of (i) the Class A Controlled Distribution Amount over (ii) the Available Series 1998-2 Principal Collections with respect to the related Monthly Period.

"Class A Expected Final Payment Date" shall mean the November 2003 Distribution Date.

"Class A Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class A Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account at the end of the preceding Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class A Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class A Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposits to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class A Initial Invested Amount" shall mean \$337,500,000.

"Class A Interest Rate" shall mean 6.23% per annum.

"Class A Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount reimbursed with respect to reductions of the

Class A Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (c); provided, however, that the Class A Invested Amount may not be reduced below zero.

"Class A Monthly Interest" shall mean the interest distributable in respect of the Class A Securities as calculated in accordance with subsection 4.6(a) of the Agreement.

"Class A Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Outstanding Principal Amount" shall mean, with respect to the Class A Securities, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to the Class A Securityholders on or prior to such Business Day.

"Class A Percentage" shall mean a fraction the numerator of which is the Class A Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Class A Principal" shall mean the principal distributable in respect of the Class A Securities as calculated in accordance with subsection 4.7(a) of the Agreement.

"Class A Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the Class A Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover Class A Monthly Interest, (iii) the Class A Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the Class A Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the Class A Percentage of the Series 1998-2 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-2 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"Class A Securities" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-1 hereto.

"Class A Securityholder" shall mean the Person in whose name a Class A Security is registered in the Security Register.

"Class A Securityholders' Interest" shall mean the portion of the Series 1998-2 Securityholders' Interest evidenced by the Class A Securities.

"Class B Additional Interest" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current Class B Invested Amount minus the excess, if any, of the amount on deposit in the Principal Account over the Class A Invested Amount on such date of determination.

"Class B Charge-Offs" shall have the meaning specified in subsection 4.13(c) of the Agreement.

"Class B Controlled Amortization Amount" shall mean

\$17,045,333.33.

"Class B Controlled Distribution Amount" shall mean, with respect to any Distribution Date, an amount equal to the Class B Controlled Amortization Amount plus any existing Class B Deficit Controlled Amortization Amount determined on the preceding Distribution Date, if any.

"Class B Deficit Controlled Amortization Amount" shall mean zero on the Class B Principal Payment Commencement Date and, on any subsequent Distribution Date, means the excess, if any, of (i) the Class B Controlled Distribution Amount over (ii) the Available Series 1998-2 Principal Collections with respect to the related Monthly Period.

"Class B Expected Final Payment Date" shall mean the February 2004 Distribution Date.

"Class B Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class B Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class B Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposits to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Initial Invested Amount" shall mean \$51,136,000.

"Class B Interest Rate" shall mean 6.51% per annum.

"Class B Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections through and including such Business Day for which neither the Class D Invested Amount nor the CTO Invested Amount has been reduced on all prior Distribution Dates pursuant to subsection 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount reimbursed with respect to reductions of the Class B Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(x) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class B Invested Amount may not be reduced below zero.

"Class B Monthly Interest" shall mean the interest distributable in respect of the Class B Securities as calculated

in accordance with subsection 4.6(b) of the Agreement.

"Class B Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Outstanding Principal Amount" shall mean, with respect to the Class B Securities, when used with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount minus (b) the aggregate amount of principal payments made to the Class B Securityholders on or prior to such Business Day.

"Class B Percentage" shall mean a fraction the numerator of which is the Class B Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"Class B Principal" shall mean the principal distributable in respect of the Class B Securities as calculated in accordance with subsection 4.7(b) of the Agreement.

"Class B Principal Payment Commencement Date" shall mean the earlier of (a) the Distribution Date on which the Class A Invested Amount is paid in full or, if the Class A Invested Amount is paid in full on the Class A Expected Final Payment Date, and the Early Amortization Period has not commenced, the Distribution Date following the Class A Expected Final Payment Date and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(e), 10.2(a), 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"Class B Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the Class B Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover Class B Monthly Interest, (iii) the Class B Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the Class B Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the Class B Percentage of the Series 1998-2 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-2 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"Class B Securities" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-2 hereto.

"Class B Securityholder" shall mean the Person in whose name a Class B Security is registered in the Security Register.

"Class B Securityholders' Interest" shall mean the portion of the Series 1998-2 Securityholders' Interest evidenced by the Class B Securities.

"Class D Charge-Offs" shall have the meaning specified in subsection 4.13(a) of the Agreement.

"Class D Excess Amounts" shall mean, with respect to any Business Day, the excess of the Class D Invested Amount over the Stated Class D Amount on such Business Day after taking into account all adjustments of the ABC Adjusted Invested Amount on such day.

"Class D Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of

which is the Class D Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class D Invested Amount as of the beginning of such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Initial Invested Amount" shall mean \$61,364,000.

"Class D Interest Rate" shall have the meaning specified in subsection 4.23 of the Agreement.

"Class D Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class D Securityholders through and including such Business Day and reductions of the Class D Invested Amount pursuant to subsection 4.12(d), minus (c) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Principal Collections through and including such Business Day for which the Class D Invested Amount has been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the Class D Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class D Invested Amount may not be reduced below zero.

"Class D Outstanding Principal Amount" shall mean, with respect to the Class D Securities, when used with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class D Securityholders prior to such Business Day.

"Class D Principal" shall mean the principal distributable in respect of the Class D Security as specified in subsection 4.7(d) of the Agreement.

"Class D Principal Payment Commencement Date" shall mean the earlier of (a) during the Amortization Period, the first Distribution Date on which the CTO Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 1998-2 Securities remaining after payments have been made to the Collateralized Trust Obligations on such Distribution Date, the Distribution Date following the first Distribution Date on which the CTO Invested Amount is paid in full and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in Section 2.4(e), 10.2(a), 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"Class D Securities" shall mean any of the Securities

executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-4 hereto.

"Class D Securityholder" shall mean the Person in whose name a Class D Security is registered in the Security Register.

"Class D Securityholders' Interest" shall mean the portion of the Series 1998-2 Securityholders' Interest evidenced by the Class D Security.

"Clearing System Certificate" shall mean a certificate in substantially the form of Exhibit C hereto or such other form of certificate as shall be satisfactory to the Trustee, the Euroclear Operator and Cedel.

"Closing Date" shall mean April 28, 1998.

"Collateralized Trust Obligations" shall mean any of the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-3 hereto.

"Controlled Amortization Period" shall mean, with respect to the Series 1998-2 Securities, unless a Pay Out Event shall have occurred with respect to such Series prior thereto, the period commencing on the Amortization Period Commencement Date and ending upon the earliest to occur of (x) the payment in full to the Series 1998-2 Securityholders of the Invested Amount, and (y) the Series 1998-2 Termination Date.

"CTO Additional Interest" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"CTO Adjusted Invested Amount" shall mean, for any date of determination, an amount not less than zero equal to the then current CTO Invested Amount minus the excess, if any, of the amount then on deposit in the Principal Account over the Class A Invested Amount and the Class B Invested Amount on such date of determination.

"CTO Charge-Offs" shall have the meaning specified in subsection 4.13(b) of the Agreement.

"CTO Default" shall have the meaning specified in Section 9.

"CTO Exchange Date" shall mean the 40th day after the later of the commencement of the offering and the Closing Date.

"CTO Expected Final Payment Date" means the April 2004 Distribution Date.

"CTO Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the CTO Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"CTO Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the CTO Adjusted Invested Amount as of the beginning of such Business Day after giving effect to any deposit to be made to the Principal Account on such Business Day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding

Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"CTO Global Security" shall mean a CTO Temporary Regulation S Global Security, a CTO Regulation S Global Security or a CTO Rule 144A Global Security.

"CTO Initial Invested Amount" shall mean \$61,364,000.

"CTO Interest Rate" shall mean 6.60625% per annum from the Closing Date through and including June 14, 1998 and, with respect to each Interest Accrual Period thereafter, a per annum rate .95% in excess of LIBOR as determined on the related LIBOR Determination Date.

"CTO Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders through and including such Business Day, minus (c) the aggregate amount of CTO Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected CTO Principal Collections and Redirected Class B Principal Collections through and including such Business Day for which the Class D Invested Amount has not been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the CTO Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xi) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the CTO Invested Amount may not be reduced below zero.

"CTO Monthly Interest" shall mean the interest distributable in respect of the Collateralized Trust Obligations as calculated in accordance with subsection 4.6(c) of the Agreement.

"CTO Monthly Interest Shortfall" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"CTO Outstanding Principal Amount" shall mean, with respect to the Collateralized Trust Obligations when used with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders prior to such Business Day.

"CTO Percentage" shall mean a fraction the numerator of which is the CTO Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount.

"CTO Principal" shall mean the principal distributable in respect of the Collateralized Trust Obligations as calculated in accordance with subsection 4.7(c) of the Agreement.

"CTO Principal Payment Commencement Date" shall mean the earlier of (a) the Distribution Date on which the Class A Invested Amount and the Class B Invested Amount have each been paid in full or, if the Class B Invested Amount is paid in full on the Class B Expected Final Payment Date and the Early Amortization Period has not commenced, the Distribution Date following the Class B Expected Final Payment Date and (b) the Distribution Date following a sale or repurchase of the Receivables as set forth in subsections 2.4(e), 10.2(a), 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"CTO Regulation S Global Security" shall mean a Collateralized Trust Obligation, sold in an offshore transaction in reliance on Regulation S under the Securities Act, represented by one or more Global Securities in definitive, fully registered form without interest coupons, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Required Amount" shall mean the amount determined by the Servicer for each Business Day equal to the excess, if any, of (x) the sum of (i) the CTO Monthly Interest for the Interest Accrual Period beginning in the then current Monthly Period, (ii) any Carryover CTO Monthly Interest, (iii) the CTO Percentage of the Monthly Servicing Fee for the then current Monthly Period, (iv) the CTO Percentage of the Series Default Amount, if any, for such Business Day and for any previous Business Day in such Monthly Period and (v) the CTO Percentage of the Series 1998-2 Percentage of any Adjustment Payment the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period over (y) the Available Series 1998-2 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (v) above with respect to such Business Day and all previous Business Days in such Monthly Period.

"CTO Reserve Account" shall have the meaning specified in subsection 4.21(a) of the Agreement.

"CTO Rule 144A Global Security" shall mean a Collateralized Trust Obligation, sold within the United States to U.S. persons that are QIBs, issued in definitive, fully registered form without interest coupons, in the form of beneficial interests in one or more Global Securities, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Securityholder" shall mean the Person in whose name a Collateralized Trust Obligation is registered in the Security Register.

"CTO Securityholders' Interest" shall mean the portion of the Series 1998-2 Securityholders' Interest evidenced by the Collateralized Trust Obligations.

"CTO Temporary Regulation S Global Security" shall mean a Collateralized Trust Obligation, sold in an offshore transaction in reliance on Regulation S under the Securities Act, represented by one or more Global Securities in definitive, fully registered form without interest coupons, deposited with DTC, as initial Clearing Agency, or any successor, with the applicable legends set forth in Exhibit A-3 hereto included in the form of such Collateralized Trust Obligation.

"CTO Trigger Event" shall have the meaning specified in subsection 4.20.

"Defeasance" shall have the meaning specified in subsection 4.18 of the Agreement.

"Defeasance Funding Account" shall have the meaning set forth in subsection 4.16 of the Agreement.

"Defeasance Funding Account Balance" shall mean, with respect to any date of determination during the Amortization Period, the principal amount, if any, on deposit in the Defeasance Funding Account on such date of determination.

"Defeasance Funding Account Investment Proceeds" shall

mean, with respect to each Transfer Date following the initial deposit to the Defeasance Funding Account, the investment earnings on funds on deposit in the Defeasance Funding Account, if any, (net of investment losses and expenses) for the related Interest Accrual Period.

"Defeasance Reserve Account" shall have the meaning set forth in subsection 4.17 of the Agreement.

"Defeasance Reserve Account Funding Date" shall mean the first day of the Monthly Period prior to the Defeasance, or such earlier date as the Transferor may determine.

"Distribution Date" shall mean June 15, 1998 and the fifteenth day of each month thereafter, or if such day is not a Business Day, the next succeeding Business Day.

"DTC" shall mean The Depository Trust Company.

"Early Amortization Period" shall mean the period beginning on the earlier of (a) the day on which a Pay Out Event occurs or is deemed to have occurred and (b) the CTO Expected Final Payment Date if the CTO Invested Amount has not been paid in full on or prior to such date, and ending on the earlier of (i) the date on which the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount have been paid in full and (ii) the Scheduled Series 1998-2 Termination Date.

"Enhancement" shall mean, with respect to each Class, the amount, if any, on deposit from time to time in the Revolving Receivables Reserve Account and with respect to the Class A Securities, the subordination of the Class B Invested Amount, the CTO Invested Amount, and the Class D Invested Amount, with respect to the Class B Securities, the subordination of the CTO Invested Amount and the Class D Invested Amount, and with respect to the Collateralized Trust Obligations, the subordination of the Class D Invested Amount and the amount, if any, on deposit from time to time in the CTO Reserve Account.

"Excess Finance Charge Collections" shall mean, with respect to any Business Day, as the context requires, either (x) the amount described in subsection 4.9(a)(xviii) of the Agreement allocated to the Series 1998-2 Securities but available to cover shortfalls in amounts paid from Finance Charge Collections for other Series, if any, or (y) the aggregate amount of Finance Charge Collections allocable to other Series in excess of the amounts necessary to make required payments with respect to such Series, if any, and available to cover shortfalls with respect to the Series 1998-2 Securities.

"Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the sum of the Class A Fixed/Floating Percentage, the Class B Fixed/Floating Percentage, the CTO Fixed/Floating Percentage and the Class D Fixed/Floating Percentage.

"Floating Percentage" shall mean for any Business Day the sum of the applicable Class A Floating Percentage, Class B Floating Percentage, CTO Floating Percentage, and Class D Floating Percentage.

"Initial Invested Amount" shall mean an amount equal to the sum of (i) the Class A Initial Invested Amount; (ii) the Class B Initial Invested Amount; (iii) the CTO Initial Invested Amount; and (iv) the Class D Initial Invested Amount.

"Interest Accrual Period" shall mean, with respect to a Distribution Date, the period from and including the preceding Distribution Date to but excluding such Distribution Date; provided, however, that the initial Interest Accrual Period shall be the period from the Closing Date to but excluding the initial Distribution Date.

"Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to the sum of (a) the Class A Invested Amount as of such Business Day, (b) the Class B Invested Amount as of such Business Day, (c) the CTO Invested Amount as of such Business Day and (d) the Class D Invested Amount as of such Business Day.

"Investor Percentage" shall mean, (a) with respect to Finance Charge Collections prior to the commencement of the Early Amortization Period, Default Amounts at any time and Principal Collections during the Revolving Period, the Floating Percentage and (b) with respect to Finance Charge Collections during the Early Amortization Period and Principal Collections during the Amortization Period, the Fixed/Floating Percentage, and with respect to any other Series of Securities, the percentage specified in the related Supplement.

"Investor Securityholder" shall mean the Holder of record of an Investor Security of Series 1998-2.

"LIBOR" shall have the meaning specified in subsection 4.15(a) of the Agreement.

"LIBOR Determination Date" shall mean the second Business Day prior to the commencement of the second and each subsequent Interest Accrual Period. For purposes of this definition, a Business Day is any day on which banks in London and New York are open for the transaction of international business.

"Member Organization Certificate" shall mean a certificate substantially in the form of Exhibit D hereto or such other form of certificate as shall be satisfactory to the Trustee, the Euroclear Operator and Cedel.

"Minimum Retained Percentage" shall mean 2%.

"Minimum Transferor Percentage" shall mean 0%; provided, however, that in certain circumstances such percentage may be increased.

"Monthly Period" shall have the meaning specified in the Agreement, except that the first Monthly Period with respect to the Series 1998-2 Securities shall begin on and include the Closing Date and shall end on and include May 29, 1998.

"Monthly Servicing Fee" shall mean for any Monthly Period, an amount equal to the product of (i) a fraction, the numerator of which is the actual number of days in such Monthly Period and the denominator of which is 365 or 366, (ii) the Series Monthly Servicing Fee Percentage and (iii) the Adjusted Invested Amount as of the beginning of the day on the first day of such Monthly Period, or, in the case of the first Distribution Date, the Initial Invested Amount.

"Negative Carry Amount" shall have the meaning specified in subsection 4.10(a) of the Agreement.

"Paired Series" shall have the meaning specified in Section 17 of this Series Supplement.

"Paying Agent" shall mean, for the Series 1998-1 Securities, initially The Bank of New York and in certain limited circumstances the Banque Generale du Luxembourg, S.A.

"Payment Reserve Account" shall have the meaning specified in subsection 4.22 of the Agreement.

"Pay Out Commencement Date" shall mean the date on which a Trust Pay Out Event is deemed to occur pursuant to Section 9.1 of the Agreement or a Series 1998-2 Pay Out Event is deemed to occur pursuant to Section 8 of this Series Supplement.

"Portfolio Yield" shall mean, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is the sum of (i) the aggregate amount of Available Series 1998-2 Finance Charge Collections for each Business Day during such Monthly Period (not including (a) the amounts withdrawn from the Payment Reserve Account, (b) Adjustment Payments made by the Transferor with respect to Adjustment Payments required to be made but not made in prior Monthly Periods, if any, and (c) the amount of any Finance Charge Collections received with respect to the final payment of any Closed End Receivable that is refinanced with a receivable arising under a revolving credit card account) and (ii) amounts withdrawn from the Defeasance Reserve Account with respect to such Monthly Period calculated on a cash basis after subtracting the aggregate Series Default Amount for such Monthly Period and the Series 1998-2 Percentage of any Adjustment Payments which the Transferor is required but fails to make pursuant to the Pooling and Servicing Agreement for each Business Day during such Monthly Period, and the denominator of which is the average daily Invested Amount during such Monthly Period; provided, however, that Excess Finance Charge Collections applied for the benefit of the Series 1998-2 Securityholders may be added to the numerator if the Transferor shall have provided ten Business Days prior written notice of such action to each Rating Agency and the Transferor, the Servicer and the Trustee shall have received notification in writing that such action will not result in Standard & Poor's reducing or withdrawing its then existing rating of the Investor Securities of any outstanding Series or Class with respect to which it is a Rating Agency.

"Principal Shortfalls" shall mean for any Business Day (x) for Series 1998-2, (i) during the Controlled Amortization Period on or prior to the CTO Principal Payment Commencement Date, the excess of the Class A Controlled Distribution Amount or the Class B Controlled Distribution Amount, as applicable, over the aggregate amount applied with respect thereto for such Business Day and for each prior Business Day in such Monthly Period, and (ii) at all other times, the Invested Amount of the Class then receiving principal payments, if any, after the application of Principal Collections on such Business Day or (y) for any other Series the amounts specified as such in the Supplement for such other Series.

"QIB" shall mean a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

"Rating Agency" shall mean Standard & Poor's and Moody's

"Redirected Class B Principal Collections" shall have the meaning specified in subsection 4.14(c) of the Agreement.

"Redirected Class D Principal Collections" shall have the meaning specified in subsection 4.14(a) of the Agreement.

"Redirected CTO Principal Collections" shall have the meaning specified in subsection 4.14(b) of the Agreement.

"Redirected Principal Collections" shall mean the sum of Redirected Class B Principal Collections, Redirected CTO Principal Collections and Redirected Class D Principal Collections.

"Regulation S Transfer Certificate" shall mean a certificate substantially in the form of Exhibit E hereto.

"Required Amount" shall have the meaning specified in subsection 4.10(b) of the Agreement.

"Required Defeasance Reserve Account Amount" shall mean, with respect to any Business Day on or after the Defeasance Reserve Account Funding Date, an amount equal to the excess of

the sum of the Class A Monthly Interest, the Class B Monthly Interest and the estimated amount of the CTO Monthly Interest over the estimated amount of investment earnings on amounts in the Defeasance Funding Account, as estimated by the Transferor, for each of the Interest Accrual Periods during the period from the date of the deposit to the Defeasance Funding Account through the April 2004 Distribution Date.

"Reserve Account Investment Proceeds" shall mean, with respect to any Business Day, the sum of the investment earnings on funds on deposit in (i) the CTO Reserve Account available in accordance with subsection 4.21(c) of the Agreement on such Business Day and (ii) the Payment Reserve Account available in accordance with subsection 4.22(c) of the Agreement on such Business Day.

"Revolving Period" shall mean the period from and including the Closing Date to, but not including, the Amortization Period Commencement Date.

"Revolving Receivables Reserve Account" shall have the meaning specified in subsection 4.19 of the Agreement.

"Rule 144A Transfer Certificate" shall mean a certificate substantially in the form of Exhibit F hereto.

"Scheduled Series 1998-2 Termination Date" shall mean the February 2007 Distribution Date.

"Series 1998-2" shall mean the Series of the Fingerhut Master Trust represented by the Series 1998-2 Securities.

"Series 1998-2 Pay Out Event" shall have the meaning specified in Section 8 of this Series Supplement.

"Series 1998-2 Percentage" shall mean, on any date of determination, the percentage equivalent of a fraction the numerator of which is the Invested Amount and the denominator of which is the sum of the Invested Amounts relating to all other Series then outstanding.

"Series 1998-2 Securities" shall mean the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Security.

"Series 1998-2 Securityholder" shall mean the holder of record of any Series 1998-2 Security.

"Series 1998-2 Securityholders' Interest" shall have the meaning specified in Section 4.4 of the Agreement.

"Series 1998-2 Termination Date" shall mean the earlier to occur of (i) the day after the Distribution Date on which the Series 1998-2 Securities are paid in full, or (ii) the Scheduled Series 1998-2 Termination Date.

"Series Charge-Offs" shall mean the sum of Class A Charge-Offs, Class B Charge-Offs, CTO Charge-Offs and Class D Charge-Offs.

"Series Default Amount" shall mean, with respect to each Business Day, an amount equal to the product of the Default Amount identified since the prior reporting date and the Floating Percentage for such Business Day.

"Series Monthly Servicing Fee Percentage" shall mean 2.00% per annum.

"Shared Principal Collections" shall mean, as the context requires, (a) the amount of Principal Collections for any Business Day allocated to the Series 1998-2 Securities which, in accordance with subsections 4.9(b) and 4.9(c)(ii) of the Agreement, may be applied in accordance with Section 4.3(d) of

the Agreement or (b) the amounts allocated to the Investor Securities of other Series which the applicable Series Supplements for such Series specify are to be treated as "Shared Principal Collections" or (c) the amounts specified in any Participation Supplement to be treated as "Shared Principal Collections" and which may be applied to cover Principal Shortfalls with respect to the Series 1998-2 Securities.

"Specified CTO Reserve Amount" shall mean, on any date of determination following a CTO Trigger Event, subject to Section 9 of this Supplement, the amount, if any, which if added to the numerator of the Target Percentage on such date would cause such percentage to be equal to 6%; provided, however, that except as specified in the immediately succeeding proviso, the Specified CTO Reserve Amount shall not exceed the product of 5% and the Invested Amount on any Business Day; and provided, further, that following a CTO Default, in the circumstances specified in Section 9 of this Series Supplement, the Specified CTO Reserve Amount will be equal to the CTO Outstanding Principal Amount.

"Specified Revolving Receivables Reserve Amount" shall mean, on any date of determination, an amount equal to the product of (x) the Floating Percentage on such date and (y) 1% of the aggregate amount of Principal Receivables which are Revolving Receivables on such date; provided, however, that such percentage may be reduced at the option of the Transferor at any time if the Rating Agency Condition shall have been satisfied with respect thereto.

"Stated Class D Amount" shall mean on any Business Day the greater of (i) zero and (ii) a number rounded to the nearest Dollar equal to 13.64% of the ABC Adjusted Invested Amount as of such Business Day; provided, however, that during any Early Amortization Period the Stated Class D Amount shall be equal to the Stated Class D Amount immediately preceding the commencement of the Early Amortization Period; provided, further, that on any Business Day after the earlier of (a) the Class A Expected Final Payment Date if the Class A Invested Amount was not paid in full on the Class A Expected Final Payment Date or (b) the Class B Expected Final Payment Date if the Class B Invested Amount was not paid in full on the Class B Expected Final Payment Date the Stated Class D Amount shall be equal to the Stated Class D Amount on the Class A Expected Final Payment Date or the Class B Expected Final Payment Date, as applicable; and provided, further, that there shall be no reduction in the Stated Class D Amount on any day on which the amount on deposit in the Revolving Receivables Reserve Account is less than the Specified Revolving Receivables Reserve Amount or the amount on deposit in the CTO Reserve Account is less than the Specified CTO Reserve Amount and; provided, further, that the Stated Class D Amount shall not be less than \$15,340,920 prior to the date on which each of the Class A Outstanding Principal Balance, the Class B Outstanding Principal Balance and the CTO Outstanding Principal Balance have been reduced to zero.

"Target Percentage" shall have the meaning specified in subsection 4.20 of the Agreement.

"Telerate Page 3750" shall mean the display page currently so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

"Transferor Finance Charge Collections" shall mean on any Business Day the Series 1998-2 Percentage of the Finance Charge Collections allocable to the Exchangeable Transferor Security.

"Transferor Retained Securities" shall mean Investors Securities of any Series which the Transferor retains, including the Class D Securities for so long as they are held by the Transferor, but only to the extent that and for so long as the

Transferor is the Holder of such Securities.

SECTION 3 Reassignment Terms. The Series 1998-2 Securities shall be subject to termination by the Transferor at its option, in accordance with the terms specified in subsection 12.2(a) of the Agreement, on any Distribution Date on or after the Distribution Date on which the sum of the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount would be reduced to an amount less than or equal to 10% of the sum of the Class A Initial Invested Amount, the Class B Initial Invested Amount and the CTO Initial Invested Amount. The deposit required in connection with any such termination and final distribution shall be equal to the sum of the unpaid Class A Invested Amount, the unpaid Class B Invested Amount and the unpaid CTO Invested Amount plus accrued and unpaid interest on the Class A Securities, Class B Securities and Collateralized Trust Obligations through the day prior to the Distribution Date on which the final distribution occurs, in each case after giving effect to any payments on such date.

SECTION 4 Delivery and Payment for the Series 1998-2 Securities. The Transferor shall execute and deliver the Series 1998-2 Securities to the Trustee for authentication in accordance with Section 6.1 of the Agreement. The Trustee shall deliver the Series 1998-2 Securities to or upon the order of the Transferor when authenticated in accordance with Section 6.2 of the Agreement.

SECTION 5 Form of Delivery of Series 1998-2 Securities; Denominations; Depositary. The Class A Securities, the Class B Securities and the Collateralized Trust Obligations shall be delivered as Book-Entry Securities as provided in Sections 6.1 and 6.10 of the Agreement. The Class A Securities and the Class B Securities shall be issued in minimum denominations of \$1,000 and integral multiples thereof. The Collateralized Trust Obligations shall be issued in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Class D Security shall be delivered as a Registered Security as provided in Section 6.1 of the Agreement.

The Depositary for Series 1998-2 shall be DTC and the Class A Securities and the Class B Securities shall be initially registered in the name of Cede & Co., its nominee and will initially be held by the Trustee as custodian for DTC.

The Transferor shall execute and the Trustee shall authenticate (i) one or more CTO Temporary Regulation S Global Securities, (ii) one or more CTO Regulation S Global Securities, and (iii) one or more CTO Rule 144A Global Securities, each having a principal balance as shall have been indicated to the Trustee by the Transferor and having an aggregate principal balance equal to the CTO Invested Amount as of the date of execution of such Global Securities by the Transferor.

The CTO Global Securities (i) shall be delivered by the Trustee to DTC acting as the initial Clearing Agency, and (ii) in each case shall be registered in the name of Cede & Co. The CTO Global Securities shall bear a legend substantially in the form set forth in Exhibit A-3. The CTO Global Securities initially will be held by the Trustee as custodian for DTC.

So long as any of the CTO Global Securities remains outstanding and are held by or on behalf of the Clearing Agency, transfers of beneficial interests in any of such CTO Global Securities may be made only in accordance with this Section 5 and in accordance with the rules of the Clearing Agency and the Euroclear Operator or Cedel.

A beneficial interest in the CTO Temporary Regulation S Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in the CTO Rule 144A Global Securities only upon receipt by the Trustee of a Rule 144A Transfer Certificate.

On and after the CTO Exchange Date, a beneficial interest in the CTO Temporary Regulation S Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in the CTO Regulation S Global Security only upon receipt by the Trustee of a Clearing System Certificate from the Euroclear Operator or Cedel, as applicable, and a Member Organization Certificate, relating to the appropriate portion of the CTO Temporary Regulation S Global Security.

A beneficial interest in a CTO Rule 144A Global Security may be transferred to a transferee that takes delivery in the form of a beneficial interest in a CTO Regulation S Global Security or CTO Temporary Regulation S Global Security only upon receipt by the Transfer Agent and Registrar of a Regulation S Transfer Certificate.

No restrictions shall apply with respect to the transfer or registration of transfer of (x) a beneficial interest in a CTO Rule 144A Global Security to a transferee that takes delivery in the form of a beneficial interest in the CTO Rule 144A Global Security, or (y) a beneficial interest in a CTO Regulation S Global Security to a transferee that takes delivery in the form of a beneficial interest in the CTO Regulation S Global Security.

An exchange of a beneficial interest in the CTO Temporary Regulation S Global Security for a beneficial interest in the CTO Regulation S Global Security, may be made only on or after the CTO Exchange Date and only upon receipt by the Trustee of a Clearing System Certificate from the Euroclear Operator or Cedel, as applicable, relating to the appropriate portion of the CTO Temporary Regulation S Global Security.

Upon acceptance for transfer of a beneficial interest in any CTO Global Security for a beneficial interest in another CTO Global Security as provided herein, the Trustee shall (or shall request the Clearing Agency to) endorse on the schedules affixed to each of such CTO Global Securities (or on continuations of such schedules affixed to each of such CTO Global Securities and made parts thereof) appropriate notations evidencing the date of such transfer and (x) in the case of the CTO Global Security from which such transfer is made, a decrease in the outstanding balance of such CTO Global Security equal to the outstanding balance being transferred and (y) in the case of the CTO Global Security into which such transfer is made, an increase in the outstanding balance of such CTO Global Security equal to the outstanding balance being transferred.

SECTION 6 Article IV of Agreement. Sections 4.1, 4.2 and 4.3 of the Agreement shall read in their entirety as provided in the Agreement. Article IV of the Agreement (except for Sections 4.1, 4.2 and 4.3 thereof) shall read in its entirety as follows and shall be applicable only to the Series 1998-2 Securities:

ARTICLE IV RIGHTS OF SECURITYHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

SECTION 4.4 Rights of Securityholders.
The Series 1998-2 Securities shall represent undivided interests in the Trust, including the right to receive, to the extent necessary to make the required payments with respect to such Series 1998-2 Securities at the times and in the amounts specified in this Agreement, (a) the Floating Percentage and the Fixed/Floating Percentage (as applicable from time to time) of Collections (including Finance Charge Collections) available in the Collection Account, (b) funds allocable to the Series 1998-2 Securities on deposit in the Excess Funding Account and (c) funds on deposit in

the Interest Funding Account, the Principal Account, the Revolving Receivables Reserve Account, the Defeasance Funding Account, the Defeasance Reserve Account, the Distribution Account, the CTO Reserve Account and the Payment Reserve Account (for such Series, the "Series 1998-2 Securityholders' Interest"). The Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount shall be subordinated to the Class A Securities; the CTO Invested Amount and the Class D Invested Amount shall be subordinated to the Class B Securities; and the Class D Invested Amount shall be subordinated to the Collateralized Trust Obligations, in each case to the extent provided in this Article IV. The Class B Securities will not have the right to receive payments of principal until the Class A Invested Amount has been paid in full. The Collateralized Trust Obligations will not have the right to receive payments of principal until the Class A Invested Amount and the Class B Invested Amount have been paid in full. The Class D Securities will not have the right to receive payments of principal, other than to the extent of Class D Excess Amounts, until the Class A Invested Amount, the Class B Invested Amount and the CTO Invested Amount have been paid in full.

SECTION 4.5 Collections and Allocation; Payments on Exchangeable Transferor Security.

Collections and Allocations. The Servicer will apply or will instruct the Trustee to apply all funds on deposit in the Collection Account and the Excess Funding Account allocable to the Series 1998-2 Securities, and all funds on deposit in the Interest Funding Account, the Principal Account, the Revolving Receivables Reserve Account, the Defeasance Funding Account, the Defeasance Reserve Account, the Distribution Account, the CTO Reserve Account and the Payment Reserve Account, as described in this Article IV. On each Business Day, (i) the amount of Finance Charge Collections available in the Collection Account allocable to the Series 1998-2 Securities shall be determined by multiplying the aggregate amount of such Finance Charge Collections by (x) prior to the Pay Out Commencement Date, the Floating Percentage and (y) on and after the Pay Out Commencement Date, the Fixed/Floating Percentage, (ii) the amount of Principal Collections available in the Collection Account allocable to the Series 1998-2 Securities shall be determined by multiplying the aggregate amount of such Principal Collections by (x) during the Revolving Period, the Floating Percentage and (y) during any Amortization Period, the Fixed/Floating Percentage, and (iii) the Default Amount on such Business Day allocable to the Series 1998-2 Securities shall be determined by multiplying the Default Amount by the Floating Percentage. In addition, on the Closing Date the Transferor shall make a deposit to the Interest Funding Account in the amount of \$2,000,000 to be allocated to the Series 1998-2 Securities and applied as Available Series 1998-2 Finance Charge Collections in accordance with subsection 4.9(a) of the Agreement.

Payments to the Holder of the Exchangeable Transferor Security. On each Business Day, the Servicer shall allocate and pay Collections in accordance with the Daily Report to the Holder of the Exchangeable Transferor Security in accordance with subsection 4.3(b) of the Agreement; provided, however, that such amounts shall be applied in accordance with Section 4.10 hereof to the extent specified therein.

Notwithstanding the foregoing and any other provisions of this Supplement, amounts payable to the

Transferor shall instead be deposited in the Excess Funding Account to the extent necessary to prevent the Transferor Interest from being less than the Minimum Transferor Interest.

SECTION 4.6 Determination of Interest for the Series 1998-2 Securities. The amount of monthly interest (the "Class A Monthly Interest") which shall accrue for the benefit of the Class A Securities with respect to any Interest Accrual Period shall be an amount equal to one-twelfth of the product of (i) the Class A Interest Rate and (ii) the Class A Outstanding Principal Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the Class A Initial Invested Amount, (v) 47 divided by 360, and (w) the Class A Interest Rate).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "Class A Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the Class A Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the Class A Securityholders in respect of interest on such Distribution Date. If there is a Class A Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("Class A Additional Interest") shall be payable as provided herein with respect to the Class A Securities on each Distribution Date following such Distribution Date, to and including the Distribution Date on which such Class A Monthly Interest Shortfall is paid to Class A Securityholders, equal to one-twelfth of the product of (i) the Class A Interest Rate and (ii) such Class A Monthly Interest Shortfall remaining unpaid. Notwithstanding anything to the contrary herein, Class A Additional Interest shall be payable or distributed to Class A Securityholders only to the extent permitted by applicable law.

The amount of monthly interest (the "Class B Monthly Interest") which shall accrue for the benefit of the Class B Securities with respect to any Interest Accrual Period shall be an amount equal to one-twelfth of the product of (i) the Class B Interest Rate and (ii) the Class B Invested Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the Class B Initial Invested Amount, (v) 47 divided by 360, and (w) the Class B Interest Rate).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "Class B Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the aggregate Class B Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the Class B Securityholders in respect of interest on such Distribution Date. If there is a Class B Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("Class B Additional Interest") shall be payable as provided herein with respect to the Class B Securities on each Distribution Date following such Distribution Date, to and including the Distribution Date on which such Class B Monthly Interest Shortfall is paid to Class B Securityholders, equal to one-twelfth of the product of (i) the Class B Interest Rate and (ii) such Class B

Monthly Interest Shortfall remaining unpaid. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to Class B Securityholders only to the extent permitted by applicable law.

The amount of monthly interest (for the Series 1998-2 Securities, the "CTO Monthly Interest") which shall accrue for the benefit of the Collateralized Trust Obligations with respect to any Interest Accrual Period shall be an amount equal to the product of (i) the CTO Interest Rate for the related Interest Accrual Period, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the CTO Invested Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the CTO Initial Invested Amount, (v) 48 divided by 360, and (w) the CTO Interest Rate for the initial Interest Accrual Period).

On the first Business Day of each Monthly Period, the Servicer shall determine an amount (the "CTO Monthly Interest Shortfall") with respect to the Distribution Date in such Monthly Period equal to the excess, if any, of (x) the aggregate CTO Monthly Interest for the Interest Accrual Period ending in such Monthly Period over (y) the amount available to be paid to the CTO Securityholders in respect of interest on such Distribution Date. If there is a CTO Monthly Interest Shortfall with respect to any Distribution Date, an additional amount ("CTO Additional Interest") shall be payable as provided herein with respect to the Collateralized Trust Obligations on each Distribution Date following such Distribution Date, to and including the Distribution Date on which such CTO Monthly Interest Shortfall is paid to CTO Securityholders, equal to the product of (i) the CTO Interest Rate, (ii) such CTO Monthly Interest Shortfall remaining unpaid and (iii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360. Notwithstanding anything to the contrary herein, CTO Additional Interest shall be payable or distributed to CTO Securityholders only to the extent permitted by applicable law.

SECTION 4.7 Determination of Principal Amounts. The amount of principal (the "Class A Principal") distributable from the Distribution Account with respect to the Class A Securities for each Distribution Date with respect to the Amortization Period shall be equal to the Available Series 1998-2 Principal Collections on deposit in the Principal Account with respect to the related Monthly Period; provided, however, that with respect to any Distribution Date during the Controlled Amortization Period, Class A Principal shall not exceed the lesser of (i) the Class A Controlled Distribution Amount and (ii) the Class A Invested Amount; provided, further that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, Class A Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance and (ii) the Class A Invested Amount; provided, further that with respect to the Series 1998-2 Termination Date, Class A Principal shall be an amount equal to the Class A Invested Amount.

The amount of principal (the "Class B Principal") distributable from the Distribution Account

with respect to the Class B Securities for each Distribution Date, beginning on the Class B Principal Payment Commencement Date, shall be equal to the Available Series 1998-2 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal, if any; provided, however, that with respect to any Distribution Date during the Controlled Amortization Period, Class B Principal shall not exceed the lesser of (i) the Class B Controlled Distribution Amount and (ii) the Class B Invested Amount; provided, further that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, Class B Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance after application of amounts on deposit therein to Class A Principal and (ii) the Class B Invested Amount; provided, further that with respect to the Series 1998-2 Termination Date, Class B Principal shall be an amount equal to the Class B Invested Amount.

The amount of principal (the "CTO Principal") distributable from the Distribution Account with respect to the Collateralized Trust Obligations for each Distribution Date, beginning on or after the CTO Principal Payment Commencement Date, shall be equal to the Available Series 1998-2 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal and Class B Principal, if any; provided that with respect to any Distribution Date with respect to the Early Amortization Period following a Defeasance, CTO Principal shall be equal to the lesser of (i) the Defeasance Funding Account Balance after application of amounts on deposit therein to Class A Principal and Class B Principal and (ii) the CTO Invested Amount; provided, further with respect to the Series 1998-2 Termination Date, CTO Principal shall be an amount equal to the CTO Invested Amount.

The amount of principal (the "Class D Principal") distributable from the Distribution Account with respect to the Class D Securities for each Distribution Date, beginning on the Class D Principal Payment Commencement Date, and on each Distribution Date thereafter until the Trust is terminated or until the Class D Invested Amount is paid in full, shall be equal to the Available Series 1998-2 Principal Collections remaining on deposit in the Principal Account with respect to the related Monthly Period after application thereof to Class A Principal, Class B Principal and CTO Principal, if any, and the Trustee, acting in accordance with instructions from the Servicer, will withdraw such amounts from the Principal Account and, to the extent of the Class D Invested Amount, deposit such amounts in the Distribution Account for distribution to the Class D Securityholder on the next succeeding Distribution Date.

SECTION 4.8 Shared Principal Collections. Shared Principal Collections allocated to Available Series 1998-2 Principal Collections for the Series 1998-2 Securities and to be applied to Class A Principal, Class B Principal, CTO Principal and Class D Principal pursuant to subsection 4.9(c)(i)(y) of the Agreement for any Business Day with respect to the Amortization Period shall be equal to the product of (x) Shared Principal Collections for all Series for such Business Day and (y) a fraction, the numerator of which is the Principal Shortfall for the Series 1998-2 Securities for such Business Day and the denominator of which is the aggregate amount of Principal Shortfalls for all Series for such Business Day. For any Business Day

with respect to the Revolving Period, Shared Principal Collections allocated to Available Series 1998-2 Principal Collections for the Series 1998-2 Securities shall be zero.

SECTION 4.9 Application of Funds on Deposit in the Collection Account for the Securities. Available Series 1998-2 Finance Charge Collections. On each Business Day, the Servicer shall deliver to the Trustee a Daily Report in which it shall instruct the Trustee to withdraw, and the Trustee, acting in accordance with such instructions, shall withdraw amounts from the appropriate accounts, to the extent of the sum of (i) the amount of Finance Charge Collections allocated to the Series 1998-2 Securities pursuant to subsection 4.5(a) of the Agreement, (ii) amounts on deposit in the Payment Reserve Account, if any, if and to the extent the Transferor designates that such amounts are to be so applied, (iii) Reserve Account Investment Proceeds and investment earnings on amounts on deposit in the Interest Funding Account and the Principal Account and (iv) Defeasance Funding Account Investment Proceeds and other amounts withdrawn from the Defeasance Reserve Account pursuant to subsections 4.17(b), (c) and (d) and the Revolving Receivables Reserve Account pursuant to subsections 4.19(c), (d) and (e), which amounts shall be applied on each Transfer Date as if such amounts had been available on the last Business Day of the preceding Monthly Period (collectively, the "Available Series 1998-2 Finance Charge Collections"; provided that with respect to the Closing Date the amount deposited by the Transferor into the Interest Funding Account pursuant to subsection 4.5(a) of the Agreement shall also constitute Available Series 1998-2 Finance Charge Collections; and provided further that, with respect to any Business Day, amounts applied pursuant to Section 4.10 and Section 4.14 of the Agreement shall be applied as if such amounts were Available Series 1998-2 Finance Charge Collections). The Trustee shall apply Available Series 1998-2 Finance Charge Collections in the priority set forth below:

Class A Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the Class A Securityholders, to the extent of the Available Series 1998-2 Finance Charge Collections for such Business Day, an amount equal to the lesser of (x) the Available Series 1998-2 Finance Charge Collections and (y) the excess of (1) the sum of Class A Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover Class A Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class A Monthly Interest that constitutes Class A Additional Interest shall be payable or distributable to Class A Securityholders only to the extent permitted by applicable law.

Class B Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the Class B Securityholders, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the application pursuant to subsection 4.9(a)(i) of the Agreement, an amount equal

to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the excess of (1) the sum of Class B Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover Class B Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class B Monthly Interest that constitutes Class B Additional Interest shall be payable or distributable to Class B Securityholders only to the extent permitted by applicable law.

CTO Monthly Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the CTO Securityholders, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) and (ii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the excess of (1) the sum of CTO Monthly Interest for the Interest Accrual Period beginning in such Monthly Period and Carryover CTO Monthly Interest over (2) any amounts with respect thereto previously deposited into the Interest Funding Account during such Monthly Period. Notwithstanding anything to the contrary herein, the portion of Carryover Class C Monthly Interest that constitutes CTO Additional Interest shall be payable or distributable to CTO Securityholders only to the extent permitted by applicable law.

Monthly Servicing Fee. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall distribute to the Servicer, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the excess of (i) the Monthly Servicing Fee for such Monthly Period plus any unpaid Monthly Servicing Fees from prior Monthly Periods over (ii) any amounts with respect thereto previously distributed to the Servicer during such Monthly Period.

Series Default Amount. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the sum of (1) the aggregate Series Default Amount for such Business Day plus (2) the unpaid Series Default Amount for each previous Business Day during such Monthly Period, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Adjustment Payment Shortfalls. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-2 Finance Charge

Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (v) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) an amount equal to the Series 1998-2 Percentage of any Adjustment Payment which the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement on such Business Day and on each previous Business Day during such Monthly Period less any amounts previously withdrawn pursuant to this subsection 4.9(a)(vi) on account of such unpaid Adjustment Payments, such amount to be (i) treated as Shared Principal Collections during the Revolving Period, and (ii) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Reimbursement of Class A Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the unreimbursed Class A Charge-Offs, if any, in order to reimburse Class A Charge-Offs, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Unpaid Class B Monthly Interest. On each Business Day, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the Class B Securityholders on the next Distribution Date, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the sum of (1) the amount of interest which would accrue with respect to the Class B Securities on the Class B Outstanding Principal Amount at the Class B Interest Rate during the related Interest Accrual Period beginning in the then current Monthly Period but which has not been deposited into the Interest Funding Account or paid to the Class B Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the Class B Interest Rate on interest that was payable on any prior Distribution Date pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the Class B Securityholders.

Unpaid CTO Monthly Interest. On each Business Day, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the CTO Securityholders on the next Distribution Date, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (viii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the sum of (1) the amount of interest which would accrue with respect to the Collateralized Trust Obligations on the CTO Outstanding Principal Amount at the CTO Interest Rate during the Interest Accrual Period beginning in the then current Monthly Period but which has not been deposited into the Interest Funding Account or paid to

the CTO Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the CTO Interest Rate on interest that was payable on any prior Distribution Date pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the CTO Securityholders.

Reimbursement of Certain Reductions of Class B Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (ix) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the unreimbursed amount by which the Class B Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class B Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Reimbursement of Certain Reductions of CTO Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (x) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the unreimbursed amount by which the CTO Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of CTO Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Reimbursement of Certain Reductions of Class D Invested Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the unreimbursed amount by which the Class D Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class D Invested Amount, if any, such amount to be (A) treated as Shared Principal Collections during the Revolving Period, and (B) treated as Available Series 1998-2 Principal Collections during the Amortization Period.

Class D Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the Class D Securityholders on the next Distribution Date, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xii) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the sum of (1) the amount of interest which has accrued with respect to the Class D Securities on the

Class D Outstanding Principal Amount at the applicable Class D Interest Rate but which has not been deposited into the Interest Funding Account on any prior Business Day or paid to the Class D Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the Class D Interest Rate on interest that was payable during a prior Monthly Period pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the Class D Securityholders.

Revolving Receivables Reserve Account. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the Revolving Receivables Reserve Account, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiii) of the Agreement an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) an amount equal to the excess, if any, of the Specified Revolving Receivables Reserve Amount on such date over the amount then on deposit in the Revolving Receivables Reserve Account.

Defeasance Reserve Account. At the option of the Transferor, on each Business Day on and after the Defeasance Reserve Account Funding Date, but prior to the date on which a Defeasance occurs pursuant to subsection 4.18 of the Agreement, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the Defeasance Reserve Account, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the excess, if any, of the Required Defeasance Reserve Account Amount over the Available Defeasance Reserve Account Amount.

CTO Reserve Account. Following the occurrence of a CTO Trigger Event, on each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall deposit in the CTO Reserve Account, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xv) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) an amount equal to the excess, if any, of the Specified CTO Reserve Amount on such date over the amount then on deposit in the CTO Reserve Account.

Payment Reserve Account. On each Business Day, the Trustee, acting in accordance with instructions from the Transferor, shall deposit in the Payment Reserve Account, to the extent of any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xvi) of the Agreement, an amount equal to the lesser of (x) any such remaining Available Series 1998-2 Finance Charge Collections and (y) the amount, if any, designated by the Transferor in writing (which includes facsimile transmission) in its instructions to the Trustee on such Business Day.

Excess Finance Charge Collections. Any Available Series 1998-2 Finance Charge Collections remaining after giving effect to the applications pursuant to subsection 4.9(a)(i) through (xvii) of the

Agreement shall be treated as Excess Finance Charge Collections, and the Servicer shall direct the Trustee in writing on each Business Day to first make such amounts available to pay to Securityholders of other Series to the extent of shortfalls, if any, in amounts payable to such Securityholders from Finance Charge Collections allocated to such other Series, then to pay any unpaid commercially reasonable costs and expenses of a Successor Servicer, if any, then to reserve for (or pay when due) any taxes and related expenses anticipated by the Servicer to be payable by the Trust with respect to the related Monthly Period or prior Monthly Periods and then on each Business Day to pay any remaining Excess Finance Charge Collections to the Transferor.

Revolving Period Principal Collections.

For each Business Day with respect to the Revolving Period, the funds on deposit in the Collection Account to the extent of the product of (i) the Floating Percentage and (ii) Principal Collections (less the amount of Redirected Principal Collections) with respect to such Business Day will be treated as Shared Principal Collections and applied, pursuant to the written direction of the Servicer in the Daily Report for such Business Day, as provided in Section 4.3(e) of the Agreement.

Amortization Period Principal Collections and Other Funds. For each Business Day on and after the Amortization Period Commencement Date, the amount of funds on deposit in the Collection Account or the Excess Funding Account as described below will be distributed, pursuant to the written direction of the Servicer in the Daily Report for such Business Day in the following priority:

an amount (not in excess of the Invested Amount) equal to the sum of (v) the product of the Fixed/Floating Percentage and Principal Collections (less the amount thereof applied as Redirected Principal Collections) for such Business Day, (w) any amount on deposit in the Excess Funding Account allocated to the Series 1998-2 Securities on such Business Day pursuant to subsection 4.3(f) of the Agreement, (x) amounts to be treated as Available Series 1998-2 Principal Collections for such Business Day pursuant to subsections 4.9(a)(v), (vi), (vii), (x), (xi) and (xii) of the Agreement (including amounts available pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement for such Business Day) and (y) the amount of Shared Principal Collections allocated to the Series 1998-2 Securities in accordance with Section 4.8 of the Agreement for such Business Day, will be deposited into the Principal Account; provided, however, that with respect to any Monthly Period during the Controlled Amortization Period, the aggregate amount required to be deposited in the Principal Account pursuant to this subsection 4.9(c)(i) shall not exceed the sum of (I) (A) prior to the Monthly Period related to the Class B Principal Payment Commencement Date, the Class A Controlled Distribution Amount, (B) during and after the Monthly Period related to the Class B Principal Payment Commencement Date but prior to the Monthly Period related to the CTO Principal Payment Commencement Date, the Class B Controlled Distribution Amount or (C) during and after the Monthly Period related to the CTO Principal Payment Commencement Date but prior to the Monthly Period related to the Class D Principal Payment Commencement Date, the CTO Invested Amount and (II) at the option of the Transferor, the Class D Excess Amount; and

an amount equal to the excess, if any, of
(A) the sum of the amounts described in subsection 4.9(c)(i)(v) and (x) above over (B) the sum of Class A Principal, Class B Principal, CTO Principal and Class D Principal will be treated as Shared Principal Collections and applied as provided in subsection 4.3(e) of the Agreement.

SECTION 4.10 Coverage of Required Amount for the Series 1998-2 Securities. Coverage of Negative Carry Amount. To the extent that any amounts are on deposit in the Excess Funding Account on any Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-2 Finance Charge Collections in subsections 4.9(a)(i) through (xiii) of the Agreement, Transferor Finance Charge Collections in an amount (the "Negative Carry Amount") equal to the excess of (x) the product of (a) the Base Rate, (b) the product of (i) the amounts on deposit in the Excess Funding Account and (ii) the number of days elapsed since the previous Business Day divided by 360 over (y) the aggregate amount of all earnings since the previous Business Day available from the Cash Equivalents in which funds on deposit in the Excess Funding Account are invested.

Required Amount from Other Series Excess Finance Charge Collections. To the extent that on any Business Day payments are being made pursuant to any of subsections 4.9(a)(i) through (xiii) of the Agreement, respectively, and the full amount to be paid pursuant to any such subsection receiving payments on such Business Day is not paid in full on such Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-2 Finance Charge Collections in subsections 4.9(a)(i) through (xiii) of the Agreement, all or a portion of the Excess Finance Charge Collections from other Series with respect to such Business Day allocable to the Series 1998-2 Securities in an amount equal to the excess of the full amount to be allocated or paid pursuant to the applicable subsection over the amount applied with respect thereto from Available Series 1998-2 Finance Charge Collections and Transferor Finance Charge Collections on such Business Day (the "Required Amount"). Excess Finance Charge Collections allocated to the Series 1998-2 Securities for any Business Day shall mean an amount equal to the product of (x) Excess Finance Charge Collections available from all other Series for such Business Day and (y) a fraction, the numerator of which is the Required Amount for such Business Day and the denominator of which is the aggregate amount of shortfalls in required amounts or other amounts to be paid from Finance Charge Collections for all Series for such Business Day.

SECTION 4.11 Payment of Interest on Securities. On each Transfer Date, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw the amount on deposit in the Interest Funding Account with respect to the preceding Monthly Period allocable to the Series 1998-2 Securities and deposit such amount in the Distribution Account. On each Distribution Date, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to (w) the Class A Securityholders from the Distribution Account such amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsection 4.9(a)(i) of the Agreement, (x) the Class B Securityholders from the Distribution Account the amount deposited into the Distribution Account on the

related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsections 4.9(a)(ii) and (viii) of the Agreement, (y) the CTO Securityholders from the Distribution Account the amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsections 4.9(a)(iii) and (ix) of the Agreement, and (z) the Class D Securityholder from the Distribution Account the amount deposited into the Distribution Account on the related Transfer Date allocable thereto from amounts deposited in the Interest Funding Account pursuant to subsection 4.9(a)(xiii) of the Agreement.

SECTION 4.12 Payment of Security Principal.

Class A Principal. On the Transfer Date preceding each Distribution Date with respect to the Amortization Period, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, from the Defeasance Funding Account, and deposit into the Distribution Account, to the extent of funds available, an amount equal to the Class A Principal for such Distribution Date. On each Distribution Date with respect to the Amortization Period until the Class A Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class A Securityholders from the Distribution Account such amounts deposited with respect to Class A Principal into the Distribution Account on the related Transfer Date.

Class B Principal. On the Transfer Date preceding the Class B Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, the Defeasance Funding Account and deposit in the Distribution Account, to the extent of funds available, an amount equal to the Class B Principal for the related Distribution Date. On and after the Class B Principal Payment Commencement Date, on each Distribution Date until the Class B Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class B Securityholders from the Distribution Account such amounts deposited with respect to Class B Principal into the Distribution Account on the related Transfer Date.

CTO Principal. On the Transfer Date preceding the CTO Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account or, following the occurrence of a Defeasance, the Defeasance Funding Account and deposit in the Distribution Account, to the extent of funds available, an amount equal to the CTO Principal for the related Distribution Date. On and after the CTO Principal Payment Commencement Date, on each Distribution Date until the CTO Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the CTO Securityholders from the Distribution Account such amounts deposited with respect to CTO Principal into the Distribution Account on the related Transfer Date.

Class D Principal. On the Transfer Date preceding the Class D Principal Payment Commencement Date and each Transfer Date thereafter, or, in the case of distributions of Class D Excess Amounts, on each Transfer Date during the Controlled Amortization Period preceding a Distribution Date on which a distribution shall be made of Class D Excess Amounts, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account and deposit in the Distribution Account, to the extent of funds available after giving effect to withdrawals pursuant to subsections 4.12(a), (b) or (c) of the Agreement, an amount equal to the Class D Principal for the related Distribution Date. On the Class D Principal Payment Commencement Date after the payment of any principal amounts to the Class A Securities, the Class B Securities and the Collateralized Trust Obligations on such day, and on each Distribution Date thereafter until the Class D Invested Amount is paid in full and on each Distribution Date during the Controlled Amortization Period on which amounts are to be distributed with respect to Class D Excess Amounts, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class D Securityholder from the Distribution Account such amounts deposited with respect to Class D Principal into the Distribution Account on the related Transfer Date. Notwithstanding the foregoing, if so designated in writing by the Transferor with respect to any such Transfer Date, any such payment of Class D Principal shall not be made to the Class D Securityholder but such amount shall nonetheless be subtracted from the Class D Invested Amount and added to the Transferor Interest and Class D Excess Amounts may be subtracted from the Class D Invested Amount and added to the Transferor Interest whether or not such amount has been deposited into the Distribution Account..

Any amounts remaining in the Principal Account and allocable to the Series 1998-2 Securities, after the Class D Invested Amount has been paid in full, will be treated as Shared Principal Collections and applied in accordance with Section 4.3(e) of the Agreement.

SECTION 4.13 Series Charge-Offs. If, on any Determination Date, the sum of the aggregate Series Default Amount and the Series 1998-2 Percentage of unpaid Adjustment Payments, if any, required to be made by the Transferor but not made for all Business Days in the preceding Monthly Period exceeds the sum of (x) the aggregate amount of the Available Series 1998-2 Finance Charge Collections applied to the payment thereof pursuant to subsections 4.9(a)(v) and (vi) of the Agreement, (y) the aggregate amount of Transferor Finance Charge Collections and Excess Finance Charge Collections allocated thereto pursuant to Section 4.10 of the Agreement, and (z) the aggregate amount of Redirected Principal Collections applied with respect thereto pursuant to Section 4.14 of the Agreement, the Class D Invested Amount will be reduced by the aggregate amount of such excess (a "Class D Charge-Off").

In the event that any such reduction of the Class D Invested Amount would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero, and the CTO Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-2

Percentage of unpaid Adjustment Payments for such Monthly Period (a "CTO Charge-Off").

In the event that any such reduction of the CTO Invested Amount would cause the CTO Invested Amount to be a negative number, the CTO Invested Amount will be reduced to zero, and the Class B Invested Amount will be reduced by the amount by which the CTO Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-2 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class B Charge-Off").

In the event that any such reduction of the Class B Invested Amount would cause the Class B Invested Amount to be a negative number, the Class B Invested Amount will be reduced to zero, and the Class A Invested Amount will be reduced by the amount by which the Class B Invested Amount would have been reduced below zero, but not by more than the remaining aggregate Series Default Amount and Series 1998-2 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class A Charge-Off").

SECTION 4.14 Redirected Principal Collections for the Series 1998-2 Securities. On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to the least of (i) the Class D Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class D Floating Percentage or (II) during an Amortization Period, the Class D Fixed/Floating Percentage and (y) the amount of Principal Collections with respect to such Business Day and (iii) an amount equal to the sum of (a) the Class A Required Amount for such Business Day, (b) the Class B Required Amount for such Business Day and (c) the CTO Required Amount for such Business Day (such amount called "Redirected Class D Principal Collections") and shall apply Principal Collections allocable to the Series 1998-2 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-2 Finance Charge Collections.

On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to the least of (i) the CTO Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the CTO Floating Percentage or (II) during an Amortization Period, the CTO Fixed/Floating Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the sum of (a) the excess, if any, of the Class A Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day and (b) the excess, if any, of the Class B Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected CTO Principal Collections") and shall apply Principal Collections allocable to the Series 1998-2 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-2 Finance Charge Collections.

On each Business Day, the Servicer will apply or cause the Trustee to apply an amount equal to the least of (i) the Class B Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class B Floating Percentage or (II) during an Amortization Period, the Class B Fixed/Floating

Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the excess, if any, of the Class A Required Amount for such Business Day over the sum of the amount of Redirected Class D Principal Collections and Redirected CTO Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected Class B Principal Collections") and shall apply Principal Collections allocable to the Series 1998-2 Securities equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-2 Finance Charge Collections.

On each Distribution Date, the Class D Invested Amount will be reduced by the aggregate amount of unreimbursed Redirected Principal Collections for the related Monthly Period. In the event that such reduction would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero and the CTO Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections for such Distribution Date would cause the CTO Invested Amount to be a negative number, the CTO Invested Amount will be reduced to zero and the Class B Invested Amount will be reduced by the amount by which the CTO Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections would cause the Class B Invested Amount to be a negative number on any Distribution Date, the amount of Class B Redirected Principal Collections on such Distribution Date will be an amount not to exceed the amount which would cause the Class B Invested Amount to be reduced to zero.

SECTION 4.15 Determination of LIBOR.

"LIBOR" shall mean, as of any LIBOR Determination Date, the rate for deposits in United States dollars for one month (commencing on the first day of the relevant Interest Accrual Period) which appears on Telerate Page 3750 as of 11:00 A.M., London time, on the LIBOR Determination Date for such Interest Accrual Period. If such rate does not appear on Telerate Page 3750, the rate for such LIBOR Determination Date will be determined on the basis of the rates at which deposits in United States dollars are offered by four major banks in the London interbank market selected by the Servicer at approximately 11:00 a.m., London time, on such LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month (commencing on the first day of the relevant Interest Accrual Period). The Trustee will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, the rate for such LIBOR Determination Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for such LIBOR Determination Date will be the arithmetic mean of the rates quoted by four major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York City time, on the LIBOR Determination Date for loans in United States dollars to leading European banks for a period equal to one month (commencing on the first day of such Interest Accrual Period).

The CTO Interest Rate applicable to the then current and the immediately preceding Interest Accrual Periods may be obtained by any CTO Securityholder by telephoning the Trustee at (212) 815-5737.

On each LIBOR Determination Date, the Trustee shall send to the Servicer by facsimile notification of LIBOR for such LIBOR Determination Date.

SECTION 4.16 Defeasance Funding Account.

Establishment of the Defeasance Funding Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-2 Securityholders, the "Defeasance Funding Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-2 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Defeasance Funding Account and in all proceeds thereof. The Defeasance Funding Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-2 Securityholders. If, at any time, the institution holding the Defeasance Funding Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Defeasance Funding Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Defeasance Funding Account. From the date such new Defeasance Funding Account is established, it shall be the "Defeasance Funding Account." The Trustee and the Transferor shall have the right to make deposits to the Defeasance Funding Account in accordance with Section 4.18. The Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Defeasance Funding Account from time to time, in the amounts and for the purposes set forth in this Series Supplement, and (ii) on each Transfer Date from and after the commencement of the Defeasance and prior to termination of the Defeasance Funding Account make a deposit into the Principal Account in the amount specified in, and otherwise in accordance with, subsection 4.12 of the Agreement.

Investment of Funds in Defeasance Funding Account. Funds on deposit in the Defeasance Funding Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. Investment earnings (net of investment losses and expenses) on funds on deposit in the Defeasance Funding Account (the "Defeasance Funding Account Investment Proceeds") will be applied on each Transfer Date as if such amount were Available Series 1998-2 Finance Charge Collections on the last Business Day of the preceding Monthly Period. If, for any Interest Accrual Period, the Defeasance Funding Account Investment Proceeds for the related Monthly Period are less than the sum of the Class A Monthly Interest, the Class B Monthly Interest and the CTO Monthly Interest for such Interest Accrual Period, the amount of such deficiency will be paid from the Defeasance Reserve Account to the extent of the Available Defeasance Reserve Account Amount and applied on the applicable Transfer Date as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Termination of Defeasance Funding Account. The Defeasance Funding Account shall be terminated

following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement, (b) the date on which the ABC Invested Amount is paid in full and (c) after Defeasance, the earlier of the first Transfer Date with respect to the Early Amortization Period and the CTO Expected Final Payment Date. Upon the termination of the Defeasance Funding Account, all amounts remaining on deposit therein after the payment in full of the Series 1998-2 Securities shall be treated as Shared Principal Collections.

SECTION 4.17 Defeasance Reserve Account.

Establishment of the Defeasance Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-2 Securityholders, the "Defeasance Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-2 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Defeasance Reserve Account and in all proceeds thereof. The Defeasance Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-2 Securityholders. If, at any time, the institution holding the Defeasance Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Defeasance Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Defeasance Reserve Account. From the date such new Defeasance Reserve Account is established, it shall be the "Defeasance Reserve Account." The Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Defeasance Reserve Account from time to time, in the amounts and for the purposes set forth in this Series Supplement, and (ii) on each Transfer Date (from and after the Defeasance Reserve Account Funding Date) prior to a Defeasance, make a deposit into the Defeasance Reserve Account in the amount specified in, and otherwise in accordance with, subsection 4.9(a)(xv) of the Agreement.

Administration of Defeasance Reserve Account. On or before each Transfer Date following Defeasance and on the first Transfer Date with respect to the Early Amortization Period, the Trustee at the direction of the Servicer shall withdraw from the Defeasance Reserve Account, up to the Available Defeasance Reserve Account Amount, an amount equal to the excess of the sum of the Class A Monthly Interest, the Class B Monthly Interest, the CTO Monthly Interest and the amount of monthly interest payable with respect to the Class D Securities for the related Interest Accrual Period over the Defeasance Funding Account Investment Proceeds with respect to such Transfer Date, and the amount of such withdrawal shall be applied as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Investment of Funds in Defeasance Reserve Account. Funds on deposit in the Defeasance Reserve Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. The interest and other investment income (net of investment

expenses and losses) earned on such investments will be retained in the Defeasance Reserve Account (to the extent the amount on deposit therein is less than the Required Defeasance Reserve Account Amount) or applied on each Transfer Date as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Termination of Defeasance Reserve Account. The Defeasance Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement, (b) the date on which the ABC Invested Amount is paid in full, (c) prior to Defeasance, the Pay Out Commencement Date and (d) after Defeasance, the earlier of the first Transfer Date with respect to the Early Amortization Period and the CTO Expected Final Payment Date. Upon the termination of the Defeasance Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Defeasance Reserve Account on such date as described above) shall be applied as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

SECTION 4.18 Defeasance. On the date during the Amortization Period that the following conditions shall have been satisfied: (i) an amount shall have been deposited (x) in the Defeasance Funding Account equal to the sum of the Class A Outstanding Principal Amount, the Class B Outstanding Principal Amount and the CTO Outstanding Principal Amount, which amount shall be invested in Cash Equivalents and (y) in the Defeasance Reserve Account equal to or greater than the excess of the sum of the Class A Monthly Interest, the Class B Monthly Interest and the estimated CTO Monthly Interest over the estimated amount of investment earnings on amounts in the Defeasance Funding Account, as estimated by the Transferor, for each of the Interest Accrual Periods during the period from the date of the deposit to the Defeasance Funding Account through the CTO Expected Final Payment Date (the "Required Defeasance Reserve Account Amount"); (ii) the Transferor shall have delivered to the Trustee an Opinion of Counsel to the effect that such deposit and termination of obligations will not result in the Trust being required to register as an "investment company" within the meaning of the Investment Company Act and an Opinion of Counsel to the effect that following such deposit none of the Trust, the Defeasance Reserve Account or the Defeasance Funding Account will be deemed to be an association (or publicly traded partnership) taxable as a corporation; (iii) the Transferor shall have delivered to the Trustee a certificate of an officer of the Transferor stating that the Transferor reasonably believes that such deposit and termination of its obligations will not constitute a Pay Out Event or any event that, with the giving of notice or the lapse of time, would cause a Pay Out Event to occur; and (iv) the Rating Agency Condition shall have been satisfied; then, the Series 1998-2 Securities will no longer be entitled to the security interest of the Trust in the Receivables and, except those set forth in clause (i) above, other Trust assets ("Defeasance"), the percentages applicable to the allocation to the Series 1998-1 Securityholders of Principal Collections, Finance Charge Collections, unpaid Adjustment Payments and Default Amounts shall be reduced to zero and the Monthly Servicing Fee shall be reduced to zero; provided, however, that no such

Defeasance shall occur for so long as any Class A Charge-Offs, Class B Charge-Offs or CTO Charge-Offs exist. Upon the satisfaction of the foregoing conditions, the Class D Invested Amount shall be reduced to zero.

SECTION 4.19 Revolving Receivables Reserve Account. Establishment of the Revolving Receivables Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-2 Securityholders, the "Revolving Receivables Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-2 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Revolving Receivables Reserve Account and in all proceeds thereof. The Revolving Receivables Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-2 Securityholders. If at any time, the institution holding the Revolving Receivables Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Revolving Receivables Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Revolving Receivables Reserve Account. From the date such new Revolving Receivables Reserve Account is established, it shall be the "Revolving Receivables Reserve Account."

Deposits to the Revolving Receivables Reserve Account. On the Closing Date, the Transferor shall make an initial deposit of \$200,000 to the Revolving Receivables Reserve Account. Amounts shall be deposited in the Revolving Receivables Reserve Account on each Business Day to the extent specified pursuant to subsection 4.9(a)(xiv) of the Agreement.

Withdrawals from the Revolving Receivables Reserve Account. Funds on deposit in the Revolving Receivables Reserve Account shall be withdrawn by the Servicer on each Transfer Date to the extent of any shortfalls in amounts to be paid or deposited pursuant to subsections 4.9(a)(i) through (xiii) of the Agreement as of the end of the day on the last Business Day of the preceding Monthly Period and shall be applied in accordance with subsections 4.9(a)(i) through (xiii) of the Agreement as Available Series 1998-2 Finance Charge Collections as if such amounts were available on the last Business Day of the preceding Monthly Period.

Investment of Funds in Revolving Receivables Reserve Account. Funds on deposit in the Revolving Receivables Reserve Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the Revolving Receivables Reserve Account (to the extent the amount on deposit therein is less than the Required Reserve Account Amount) or applied on each Transfer Date as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

Termination of Revolving Receivables Reserve Account. The Revolving Receivables Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the ABC Invested Amount is paid in full. Upon the termination of the Revolving Receivables Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Revolving Receivables Reserve Account on such date as described above) shall be applied as Available Series 1998-2 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

SECTION 4.20 CTO Trigger Event. If (i) the rating of Fingerhut Companies, Inc.'s senior secured notes and, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility is reduced below BBB from Standard & Poor's or below Baa2 from Moody's (a "CTO Trigger Event") and (ii) with respect to any Business Day (x) the percentage equivalent of a fraction the numerator of which is the Series 1998-2 Percentage of the Transferor Interest and the denominator of which is the sum of the Invested Amount and the Series 1998-2 Percentage of the Transferor Interest (the "Target Percentage") is less than 6%, and (y) the amount on deposit in the CTO Reserve Account is less than the Specified CTO Reserve Amount, then (a) the Transferor shall, in connection with increases in the aggregate amount of Principal Receivables in the Trust, the scheduled paydown of other Series or, with respect to any Series of Variable Funding Securities, an optional payment of principal, allow the Transferor Interest to increase such that the Target Percentage shall be equal to or in excess of 6% and/or (b) the Servicer shall cause amounts available pursuant to subsection 4.9(a)(xvi) of the Agreement to be deposited in the CTO Reserve Account until the amount on deposit therein is equal to the Specified CTO Reserve Amount. The Transferor may allow the Transferor Interest to decrease on any Business Day, to the extent that it exceeds the Minimum Transferor Interest and the amount on deposit in the CTO Reserve Account following any such decrease and after giving effect to any deposit therein on such Business Day is at least equal to the Specified CTO Reserve Amount.

SECTION 4.21 CTO Reserve Account. Establishment of the CTO Reserve Account. The Servicer, for the benefit of the CTO Securityholders, shall, upon the occurrence of a CTO Trigger Event, establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the CTO Securityholders, the "CTO Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the CTO Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the CTO Reserve Account and in all proceeds thereof. The CTO Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the CTO Securityholders. If, at any time, the institution holding the CTO Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new CTO Reserve Account meeting the conditions specified above with a Qualified Institution, and shall

transfer any cash or any investments to such new CTO Reserve Account. From the date such new CTO Reserve Account is established, it shall be the "CTO Reserve Account."

Administration of CTO Reserve Account. On each Business Day following the occurrence of a CTO Trigger Event, amounts will be deposited in the CTO Reserve Account in accordance with subsection 4.9(a)(xvi) of the Agreement. Funds on deposit in the CTO Reserve Account shall be withdrawn by the Servicer and applied in accordance with subsection 4.9(a)(xi) of the Agreement as if they were Available Series 1998-2 Finance Charge Collections on any Business Day after the payment in full of the Class A Invested Amount and the Class B Invested Amount to the extent of the aggregate amount of CTO Charge-Offs, if any. Amounts on deposit in the CTO Reserve Account in excess of the Specified CTO Reserve Amount on any Business Day shall be released therefrom and paid to the Transferor. All amounts on deposit in the CTO Reserve Account shall be released therefrom and paid to the Transferor, if the rating of Fingerhut Companies, Inc.'s senior secured notes or, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility is subsequently increased to BBB or higher by Standard & Poor's and Baa2 or higher by Moody's or the CTO Invested Amount has been paid in full.

Investment of Funds in CTO Reserve Account. Funds on deposit in the CTO Reserve Account shall be invested by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the CTO Reserve Account (to the extent the amount on deposit therein is less than the Specified CTO Reserve Amount) or applied on each Business Day as Reserve Account Investment Proceeds.

Termination of CTO Reserve Account. The CTO Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the CTO Invested Amount is paid in full. Upon the termination of the CTO Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the CTO Reserve Account on such date as described above) shall be released therefrom and paid to the Transferor.

SECTION 4.22 Payment Reserve Account.
Establishment of the Payment Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-2 Securityholders, the "Payment Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-1 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Payment Reserve Account and in all proceeds thereof. The Payment Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-2 Securityholders. If, at any time, the

institution holding the Payment Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Payment Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Payment Reserve Account. From the date such new Payment Reserve Account is established, it shall be the "Payment Reserve Account."

Administration of Payment Reserve Account.
The Transferor, at its discretion, may on any Business Day withdraw all or a part of any amounts then on deposit in the Payment Reserve Account and apply such funds as Available Series 1998-2 Finance Charge Collections in accordance with Section 4.9(a) of the Agreement.

Investment on Funds in Payment Reserve Account. Funds on deposit in the Payment Reserve Account shall be invested by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be applied on each Business Day as Reserve Account Investment Proceeds.

Termination of Payment Reserve Account.
The Payment Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the ABC Adjusted Invested Amount is paid in full. Upon the termination of the Payment Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Payment Reserve Account on such date as described above) shall be applied as if they were Available Series 1998-2 Finance Charge Collections available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

SECTION 4.23 Constituent Class D Securities. The Transferor as holder of the Class D Securities may at any time (i) subdivide the Class D Securities into two or more subsidiary Securities, or (ii) redirect all or any portion of the amounts distributable to the Class D Securityholders (pursuant to the application of collections allocable to the Class D Securityholders) to any other Securityholder. In connection with such subdivision, the Transferor may assign an interest rate to the Class D Securities, the "Class D Interest Rate," or a portion thereof and make payments of interest with respect to such Securities from amounts initially allocated to the Series 1998-2 Securities and available pursuant to subsection 4.9(a)(xiii). Before any Class D Securities can be subdivided or transferred, the following conditions must be met: (i) the Trustee and the Transferor shall have received an Opinion of Counsel that such transfer does not adversely affect the conclusions reached in any of the federal or state income tax opinions issued in connection with the original issuance of the Series 1998-2 Securities, (ii) the Transferor shall deliver to the Trustee an officers' certificate stating that in the reasonable belief of the Transferor, such subdivision would not cause a Trust Pay Out Event or a Series 1998-2 Pay Out Event to occur, or an event which, with notice or lapse of time or both, would constitute a Trust Pay Out Event or a Series 1998-2 Pay Out Event, and (iii) the Rating Agency Condition shall have been satisfied.

SECTION 7 Article V of the Agreement. Article V of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 1998-2 Securities:

ARTICLE V
DISTRIBUTIONS AND REPORTS TO INVESTOR SECURITY HOLDERS

SECTION 5.1 Distributions. On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class A Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by each Class A Security held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class A Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each Class A Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Class A Securityholders holding Class A Securities evidencing not less than 80% of the Class A Invested Amount, by wire transfer, at the expense of such Class A Securityholder, to an account or accounts designated by such Class A Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class A Securities will be made only upon presentation and surrender of the Class A Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class B Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Class B Securities held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class B Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each Class B Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Class B Securityholders holding Class B Securities evidencing not less than 80% of the Class B Invested Amount, by wire transfer, at the expense of such Class B Securityholder, to an account or accounts designated by such Class B Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class B Securities will be made only upon presentation and surrender of the Class B Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each CTO Securityholder of record on the preceding Record

Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Collateralized Trust Obligations held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the CTO Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by check mailed to each CTO Securityholder at such Securityholder's address as it appears on the Security Register or, in the case of Securityholders holding Collateralized Trust Obligations evidencing not less than 80% of the CTO Invested Amount, by wire transfer, at the expense of such CTO Securityholder, to an account or accounts designated by such CTO Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Collateralized Trust Obligations will be made only upon presentation and surrender of the Collateralized Trust Obligations at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Distribution Date, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class D Securityholder of record other than the Transferor on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate Undivided Interests represented by Class D Securities held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class D Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by wire transfer to each Class D Securityholder to an account or accounts designated by such Class D Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class D Securities will be made only upon presentation and surrender of the Class D Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

SECTION 5.2 Securityholders' Statement.

On the 15th day of each calendar month (or if such day is not a Business Day the next succeeding Business Day), the Paying Agent shall forward to each Securityholder and the Rating Agencies a statement substantially in the form of Exhibit B prepared by the Servicer and delivered to the Trustee and the Paying Agent on the preceding Determination Date setting forth the following information (which, in the case of (i), (ii) and (iii) below, shall be stated on the basis of an original principal amount of \$1,000 per Security and, in the case of (ix) and (x), shall be stated on an aggregate basis and on the basis of an original principal amount of \$1,000 per Security):

the total amount distributed;

the amount of such distribution allocable to Class A Principal, Class B Principal, CTO Principal and Class D Principal;

the amount of such distribution allocable to Class A Monthly Interest and Carryover Class A Monthly Interest, Class B Monthly Interest and Carryover Class B Monthly Interest, CTO Monthly

Interest and Carryover CTO Monthly Interest and any amounts payable to the Class D Securityholders with respect to interest;

the amount of Principal Collections processed in the Collection Account during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Securities, respectively;

the amount of Finance Charge Collections processed during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Collateralized Trust Obligations and the Class D Securities, respectively, and, after the Defeasance Reserve Account Funding Date, the amount of Defeasance Funding Account Investment Proceeds and investment earnings on amounts on deposit in the Defeasance Reserve Account;

the aggregate amount of Principal Receivables, the Invested Amount, the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount, the Class D Invested Amount, the Floating Percentage and, during the Amortization Period, the Fixed/Floating Percentage as of the end of the day on the last day of the related Monthly Period;

the aggregate outstanding balance of Receivables which are current, 30-59, 60-89, and 90 days and over delinquent as of the end of the day on the last day of the related Monthly Period;

the aggregate Series Default Amount for the preceding Monthly Period;

the aggregate amount of Class A Charge-Offs, Class B Charge-Offs, CTO Charge-Offs and Class D Charge-Offs for the preceding Monthly Period;

the amount of the Monthly Servicing Fee for the preceding Monthly Period;

the amount of unreimbursed Redirected Class B Principal Collections, Redirected CTO Principal Collections and Redirected Class D Principal Collections for the related Monthly Period;

the aggregate amount of funds in the Excess Funding Account as of the last day of the Monthly Period immediately preceding the Distribution Date;

whether a CTO Trigger Event has occurred and, if so, the Specified CTO Reserve Amount and the amount then on deposit in the CTO Reserve Account;

the number of new Accounts the Receivables in which have been added to the Trust during the related Monthly Period;

the Portfolio Yield for the related Monthly Period;

the Base Rate for the related Monthly Period;

the Defeasance Funding Account Balance on the related Transfer Date;

the Revolving Receivables Reserve Account balance on the related Transfer Date; and

the amount of Defeasance Funding Account Investment Proceeds deposited in the Collection Account on the related Transfer Date, the Required Defeasance Reserve Account Amount and the Available Defeasance Reserve Account Amount as of the related Transfer Date.

Annual Securityholders' Tax Statement. On or before January 31 of each calendar year, beginning with calendar year 1999, the Paying Agent shall distribute to each Person who at any time during the preceding calendar year was a Series 1998-2 Securityholder, a statement prepared by the Servicer containing the information required to be contained in the regular report to Series 1998-2 Securityholders, as set forth in subclauses (i), (ii) and (iii) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 1998-2 Securityholder, together with, on or before January 31 of each year, beginning in 1999, such other customary information (consistent with the treatment of the Securities as debt) as the Trustee or the Servicer deems necessary or desirable to enable the Series 1998-2 Securityholders to prepare their tax returns. Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Internal Revenue Code as from time to time in effect.

SECTION 8 Series 1998-2 Pay Out Events. If any one of the following events shall occur with respect to the Series 1998-2 Securities:

(a) failure on the part of the Transferor (i) to make any payment or deposit required to be made by the Transferor by the terms of (A) the Agreement or (B) this Series Supplement, on or before the date occurring five Business Days after the date such payment or deposit is required to be made herein, (ii) to perform in all material respects the Transferor's covenant not to sell, pledge, assign, or transfer to any Person, or grant any unpermitted lien on, any Receivable; or (iii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set forth in the Agreement or this Series Supplement, which failure has a material adverse effect on the Series 1998-2 Securityholders and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of Series 1998-2 Securities evidencing Undivided Interests aggregating not less than 50% of the Invested Amount of this Series 1998-2, and continues to affect materially and adversely the interests of the Series 1998-2 Securityholders for such period;

(b) any representation or warranty made by the Transferor in the Agreement or this Series Supplement, (i) shall prove to have been incorrect in any material respect when made, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Holders of the Series 1998-2 Securities evidencing Undivided Interests aggregating more than 50% of the Invested Amount of this Series 1998-2, and (ii) as a result of which the interests of the Series 1998-2 Securityholders are materially and adversely affected and continue to be materially and adversely affected for such period; provided, however, that a Series 1998-2 Pay Out Event pursuant to this subsection 8(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period (or such longer period as the Trustee may specify) in accordance with the provisions of the Agreement;

(c) Fingerhut shall consent to the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to all or substantially all of its property; or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or receiver or liquidator in any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against Fingerhut; or Fingerhut shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute including the U.S. bankruptcy code, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations;

(d) the average of the Portfolio Yields for any three consecutive Monthly Periods is reduced to a rate which is less than the weighted average Base Rates for such three consecutive Monthly Periods;

(e) (i) the Transferor Interest shall be less than the Minimum Transferor Interest, (ii) the total amount of Principal Receivables and the amount on deposit in the Excess Funding Account shall be less than the Minimum Aggregate Principal Receivables or (iii) the Retained Percentage shall be equal to or less than 2%, in each case as of any Determination Date and, in each case, shall not exceed the required amount on or prior to the tenth Business Day following such Determination Date;

(f) any Servicer Default shall occur which would have a material adverse effect on the Series 1998-2 Securityholders;

then, in the case of any event described in subparagraph (a), (b) or (f), after the applicable grace period, if any, set forth in such subparagraphs, the Holders of Series 1998-2 Securities evidencing more than 50% of the Invested Amount of this Series 1998-2, by notice then given in writing to the Trustee, the Transferor and the Servicer may declare that a pay out event (a "Series 1998-2 Pay Out Event") has occurred as of the date of such notice, and in the case of any event described in subparagraphs (c), (d) or (e), a Series 1998-2 Pay Out Event shall occur without any notice or other action on the part of the Trustee or the Series 1998-2 Securityholders immediately upon the occurrence of such event.

SECTION 9 Collateralized Trust Obligation Defaults and Remedies. (a) "CTO Default," wherever used herein, means any one of the following events (whatever the reason for such CTO Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

There is a CTO Monthly Interest Shortfall on two consecutive Distribution Dates; or

There is a CTO Charge-Off on three consecutive Distribution Dates.

If a CTO Default shall have occurred, upon the direction of CTO Securityholders holding more than 50% of the CTO Invested Amount:

the Specified CTO Reserve Amount shall thereafter be equal to the CTO Outstanding Principal Amount;

following the payment in full of the Class A Invested and the Class B Invested Amount, the Trustee shall sell or cause to be sold, and the Trustee shall pay the proceeds to the Series 1998-2 Securityholders in final payment of all principal of and accrued

interest on such Series to be applied first to the CTO Invested Amount until paid in full and then to the Class D Invested Amount until paid in full, an amount of Principal Receivables and the related Finance Charge Receivables (or interests therein) up to 110% of the Invested Amount at the close of business on such date; provided, that the amount of such Principal Receivables shall not exceed the sum of (1) the product of (A) the Transferor Percentage on the date of any such sale, (B) the aggregate outstanding Principal Receivables on such date and (C) a fraction the numerator of which is the Invested Amount on such date and the denominator of which is the sum of the invested amounts of all Series and the aggregate Participation Amounts of all Participations then outstanding and (2) the Invested Amount on such date. The Transferor shall be permitted to purchase such Receivables in such case and shall have a right of first refusal with respect thereto to the extent of a bona fide offer by an unrelated third party for fair value. Any proceeds of such sale in excess of such principal and interest paid shall be paid to the Transferor. Upon such sale, final payment of all amounts allocable to any Class of such Series shall be made in the manner provided in Section 12.3 of the Agreement.

The Servicer shall provide written notice to the Rating Agencies of any such direction of a majority of the CTO Invested Amount.

SECTION 10 Series 1998-2 Termination. The right of the Series 1998-2 Securityholders to receive payments from the Trust will terminate on the first Business Day following the Series 1998-2 Termination Date unless such Series is an Affected Series as specified in Section 12.1(c) of the Agreement and the sale contemplated therein has not occurred by such date, in which event the Series 1998-2 Securityholders shall remain entitled to receive proceeds of such sale when such sale occurs.

SECTION 11 Legends; Transfer and Exchange; Restrictions on Transfer of Series 1998-2 Securities; Tax Treatment. Each Class A Security, Class B Security and Collateralized Trust Obligation will bear a legend or legends in substantially the following form:

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

Each Security Owner by virtue of its beneficial interest in the Class A Securities or Class B Securities, as applicable, shall be deemed to have made the representations and warranties stated in such legend.

Each Class A Security and Class B Security and each Collateralized Trust Obligation that is a CTO Global Security deposited with DTC, or a custodian on behalf of DTC, shall bear the following legend:

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK

CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Each Collateralized Trust Obligation that is issued pursuant to Rule 144A shall bear the following legend:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY, UNLESS SUCH PERSON ACQUIRED THIS SECURITY IN A TRANSFER DESCRIBED IN CLAUSE (2) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

Each Collateralized Trust Obligation that is issued pursuant to Regulation S shall bear the following legend:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Each Class D Security will bear legends substantially in the following form:

THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. TRANSFERS OF THIS SECURITY SHALL BE SUBJECT TO THE RESTRICTIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS

DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

SECTION 12 Compliance with Withholding Requirements. Notwithstanding any other provision of the Agreement, the Trustee and any Paying Agent shall comply with all Federal withholding requirements with respect to payments to the Series 1998-2 Securityholders of interest, original issue discount, or other amounts that the Trustee, any Paying Agent, the Servicer or the Transferor reasonably believes are applicable under the Internal Revenue Code. The consent of the Series 1998-2 Securityholders shall not be required for any such withholding. In the event the Trustee or the Paying Agent withholds any amount from payments made to any Series 1998-2 Securityholder pursuant to federal withholding requirements, the Trustee or the Paying Agent shall indicate to such Series 1998-2 Securityholder the amount withheld and all such amounts shall be deemed to have been paid to such Series 1998-2 Securityholders and the Series 1998-2 Securityholders shall have no claim therefor.

SECTION 13 Ratification of Agreement. As supplemented by this Series Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Series Supplement shall be read, taken, and construed as one and the same instrument. The Transferor hereby confirms the conveyance of the Trust Property to the Trustee for the benefit of the Series 1998-2 Securityholders.

For so long as any of the Collateralized Trust Obligations are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and during any period in which the Trust is not subject to Section 13 or 15(d) of the Exchange Act, each of the Transferor, the Servicer and the Trustee agree to cooperate with each other to provide to any CTO Securityholder, and to any prospective purchaser of Collateralized Trust Obligations designated by such CTO Securityholder upon the request of such CTO Securityholder or prospective purchaser, the information required by Rule 144A(d)(4) under the Securities Act.

SECTION 14 Counterparts. This Series Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 15 GOVERNING LAW. THIS SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 16 Instructions in Writing. All instructions or other communications given by the Servicer or any other Person to the Trustee pursuant to this Series Supplement shall be in writing, and, with respect to the Servicer, may be included in a Daily Report or Settlement Statement.

SECTION 17 Paired Series. Subject to the satisfaction of the Rating Agency Condition, prior to the commencement of the Early Amortization Period the Series 1998-2 Securities may be paired with one or more other Series (each, a "Paired Series"). Each Paired Series either will be pre-funded with an initial deposit to a pre-funding account in an amount up to the initial principal amount of such Paired Series primarily from the proceeds of the sale of such Paired Series or will have a variable principal amount. Any such pre-funding account will be held for the benefit of such Paired Series and not for the

benefit of the Series 1998-2 Securityholders. As amounts are paid for the benefit of the Class A Securityholders, Class B Securityholders and CTO Securityholders, either (i) in the case of a pre-funded Paired Series, an equal amount of funds on deposit in any pre-funding account for such pre-funded Paired Series will be released (which funds will be distributed to the Transferor) or (ii) in the case of a Paired Series having a variable principal amount, an interest in such variable Paired Series in an equal or lesser amount may be sold by the Trust (and the proceeds thereof will be distributed to the Transferor) and, in either case, the invested amount in the Trust of such Paired Series will increase by up to a corresponding amount. Upon payment in full of the Series 1998-2 Securities, assuming that there have been no unreimbursed charge-offs with respect to any related Paired Series, the aggregate invested amount of such related Paired Series will have been increased by an amount up to an aggregate amount equal to the Invested Amount paid to the Series 1998-2 Securityholders since the issuance of such Paired Series. The issuance of a Paired Series will be subject to the conditions described in subsection 6.9(b) of the Agreement.

SECTION 18 Registration of the Class A Securities under the Securities Exchange Act of 1934. The Transferor shall cause the Class A Securities to be registered under the Securities Exchange Act of 1934, as amended, on or before February, 1999.

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this Series 1998-2 Supplement to be duly executed by their respective officers as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
Transferor

By: /s/ James M. Wehmann
Name: James M. Wehmann
Title: President and Treasurer

FINGERHUT NATIONAL BANK
Servicer

By: /s/ James M. Wehman
Name: James M. Wehmann
Title: Treasurer

THE BANK OF NEW YORK (DELAWARE)
Trustee

By: /s/ Cheryl L. Laser
Name: Cheryl L. Laser
Title: Assistant Vice President

Exhibit A-1

FORM OF CLASS A INVESTOR SECURITY

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE OR ITS AGENT FOR

REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____

CUSIP NO. 31786YAF7

FINGERHUT MASTER TRUST
6.23% ASSET BACKED SECURITY,
SERIES 1998-2, CLASS A

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor, Fingerhut National Bank, as Servicer (the "Servicer"), and The Bank of New York (Delaware) as Trustee (the "Trustee"), and the Series 1998-2 Supplement, dated as of April 28, 1998 (the "Series 1998-2 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-2 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and

obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 6.23% Asset Backed Securities, Series 1998-2, Class A" (the "Class A Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

The Transferor has structured the Agreement, the Class A Securities, the Fingerhut Master Trust 6.51% Asset Backed Securities, Series 1998-2, Class B (the "Class B Securities" and collectively with the Class A Securities, the "Offered Securities") and the Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-2, Collateralized Trust Obligations (the "Collateralized Trust Obligations") with the intention that the Offered Securities and the Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class A Security (a "Class A Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class A Securities for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the Class A Securityholders until the first Distribution Date in the Amortization Period. No principal will be payable to the Class B Securityholders, CTO Securityholders or Class D Securityholders (other than with respect to Class D Excess Amounts) until all principal payments have been made to the Class A Securityholders.

Interest on the Class A Securities will be payable on June 15, 1998 and on the 15th day of each month thereafter or, if such day is not a business day, on the next succeeding business day (each, a "Distribution Date"), in an amount equal to the product of (i) the Class A Interest Rate, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class A Securities as of the close of business on the first day of such Interest Accrual Period provided that interest for the first Distribution Date will be an amount equal to the product of (u) the initial Class A Invested Amount, (v) 47 divided by 360, and (w) the Class A Interest Rate.

Interest payments on the Class A Securities on each Distribution Date will be funded from Available Series 1998-2 Finance Charge Collections with respect to the preceding Monthly Period (or, with respect to the first Distribution Date, such collections from and including the Closing Date to and including May 29, 1998 plus the amount of the initial deposit to the Interest Funding Account to be made on the Closing Date) and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the respective classes of the Securities and deposited on each business day during such Monthly Period in the Interest Funding Account.

"Class A Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount reimbursed with respect to reductions of the Class A Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a), (b) and (c) of the Agreement, for the purpose of reimbursing amounts deducted

pursuant to the foregoing clause (c); provided, however, that the Class A Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class A Invested Amount of the Class A Securities, which may be less than the unpaid balance of the Class A Securities pursuant to the terms of the Agreement. All principal on the Class A Securities is due and payable no later than the February 2007 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-2 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-2 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-2 Securities are paid in full (the "Series 1998-2 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class A Securities. In the event that the Class A Invested Amount is greater than zero on the Series 1998-2 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-2 Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:

Name:

Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:

Name:

Title:

FORM OF CLASS B INVESTOR SECURITY

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

No. ____ \$ _____
CUSIP NO. 31786YAG5

FINGERHUT MASTER TRUST
6.51% ASSET BACKED SECURITY,
SERIES 1998-2, CLASS B

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor, Fingerhut National Bank, as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-2 Supplement, dated as of April 28, 1998 (the "Series 1998-2 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as

supplemented by the Series 1998-2 Supplement, is herein referred to as the "Agreement". The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 6.51% Asset Backed Securities, Series 1998-2, Class B" (the "Class B Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

The Transferor has structured the Agreement, the Class B Securities, the Fingerhut Master Trust 6.23% Asset Backed Securities, Series 1998-2, Class A (the "Class A Securities" and collectively with the Class B Securities the "Offered Securities") and the Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-2, Collateralized Trust Obligations (the "Collateralized Trust Obligations") with the intention that the Offered Securities and the Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class B Security (a "Class B Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class B Securities for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the Class B Securityholders until the earlier of the Class B Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount had been paid in full. No principal will be payable to the Class B Securityholders until all principal payments have been made to the Class A Securityholders. No principal payments will be made to the CTO Securityholders or Class D Securityholders (other than with respect to Class D Excess Amounts) until the Distribution Date either on or following the Distribution Date on which the Class B Invested Amount has been paid in full.

Interest on the Offered Securities will be payable on June 15, 1998 and on the 15th day of each month thereafter or, if such day is not a business day, on the next succeeding business day (each, a "Distribution Date"), in an amount equal to (1) with respect to the Class A Securities an amount equal to the product of (i) the Class A Interest Rate, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class A Securities as of the close of business on the first day of such Interest Accrual Period and (2) with respect to the Class B Securities (a) the product of (i) the Class B Interest Rate, (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the outstanding principal balance of the Class B Securities as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the product of (u) the initial Class B Invested Amount, (v) 47 divided by 360, and (w) the Class B Interest Rate.

Interest payments on the Class A Securities on each Distribution Date will be funded from Available Series 1998-2 Finance Charge Collections with respect to the preceding Monthly Period (or, with respect to the first Distribution Date, such collections from and including the Closing Date to and including May 29, 1998 plus the amount of the initial deposit to the Interest Funding Account to be made on the Closing Date) and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the respective classes of the Securities and deposited on each business day during such Monthly Period in the Interest Funding Account.

Subject to the prior payment of interest on the Class A Securities, interest payments on the Class B Securities on each Distribution Date will be funded from the portion of Available Series 1998-2 Finance Charge Collections with respect to the preceding Monthly Period and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the Class B Securities and deposited on each business day during such Monthly Period in the Interest Funding Account.

"Class B Invested Amount" shall mean, with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections through and including such Business Day for which neither the Class D Invested Amount nor the CTO Invested Amount has been reduced on all prior Distribution Dates pursuant to subsection 4.14(e) of the Agreement, and plus (e) the sum of the aggregate amount reimbursed with respect to reductions of the Class B Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(x) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) and (b) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class B Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class B Invested Amount of the Class B Securities, which may be less than the unpaid balance of the Class B Securities pursuant to the terms of the Agreement. All principal on the Class B Securities is due and payable no later than the February 2007 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-2 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-2 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-2 Securities are paid in full (the "Series 1998-2 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class B Securities. In the event that the Class B Invested Amount is greater than zero on the Series 1998-2 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-2 Securities), and shall pay the proceeds to the Class A Securityholders pro rata - in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit

under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

Exhibit A-3

FORM OF COLLATERALIZED TRUST OBLIGATION

[Each Collateralized Trust Obligation that is a CTO Global Security deposited with DTC, or a custodian on behalf of DTC, shall bear the following legend:]

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[Each Collateralized Trust Obligation that is issued pursuant to Rule 144A shall bear the following legend:]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (2) IN AN OFFSHORE TRANSACTION

IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY, UNLESS SUCH PERSON ACQUIRED THIS SECURITY IN A TRANSFER DESCRIBED IN CLAUSE (2) ABOVE, IS DEEMED TO REPRESENT THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB.

[Each Collateralized Trust Obligation that is issued pursuant to Regulation S shall bear the following legend:]

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

[Each Collateralized Trust Obligation shall bear the following legends:]

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING "PLAN ASSETS" OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____
CUSIP NO. 31786YAK6

FINGERHUT MASTER TRUST
FLOATING RATE ASSET BACKED
COLLATERALIZED TRUST OBLIGATION, SERIES 1998-2

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by certain subsidiaries of Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust")

issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between the Transferor, Fingerhut National Bank as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-2 Supplement, dated as of April 28, 1998 (the "Series 1998-2 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-2 Supplement, is herein referred to as the "Agreement." The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust Floating Rate Asset Backed Securities, Series 1998-2, Collateralized Trust Obligations (the "Collateralized Trust Obligations"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the CTO Securityholder by virtue of the acceptance hereof assents and by which the CTO Securityholder is bound.

The Transferor has structured the Agreement, the Collateralized Trust Obligations, the Fingerhut Master Trust 6.23% Asset Backed Securities, Series 1998-2, Class A (the "Class A Securities") and the Fingerhut Master Trust 6.51% Asset Backed Securities, Series 1998-2, Class B (the "Class B Securities") with the intention that the Class A Securities, Class B Securities and Collateralized Trust Obligations will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Collateralized Trust Obligation (a "CTO Securityholder") or any interest therein by acceptance of its Collateralized Trust Obligation or any interest therein, agrees to treat the Collateralized Trust Obligations for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

No principal will be payable to the CTO Securityholders until the earlier of the Class C Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount and the Class B Invested Amount have been paid in full. No principal payments will be payable to the CTO Securityholders until the Distribution Date either on or following the Distribution Date on which the Class A Invested Amount and Class B Invested Amount have been paid in full.

Interest on the Collateralized Trust Obligations will be payable on June 15, 1998 and on each Distribution Date thereafter, in an amount equal to the product of (i) a per annum rate .95% in excess of LIBOR (the "CTO Interest Rate"), (ii) a fraction the numerator of which is the actual number of days in the related Interest Accrual Period and the denominator of which is 360 and (iii) the CTO Invested Amount as of the close of business on the first day of such Interest Accrual Period (or in the case of the initial Distribution Date, an amount equal to the sum of (I) the product of (u) the initial CTO Invested Amount, (v) 48 divided by 360, and (w) the CTO Interest Rate.

Subject to the prior payment of interest on the Class A Securities and Class B Securities, interest payments on the Class C Securities on each Distribution Date will be funded from the portion of Available Series 1998-2 Finance Charge Collections

with respect to the preceding Monthly Period and from certain other funds allocated as set forth in the Pooling and Servicing Agreement to the Collateralized Trust Obligations and deposited on each business day during such Monthly Period in the Interest Funding Account.

"CTO Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the CTO Initial Invested Amount minus (b) the aggregate amount of principal payments made to CTO Securityholders through and including such Business Day, minus (c) the aggregate amount of CTO Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected CTO Principal Collections and Redirected Class B Principal Collections through and including such Business Day for which the Class D Invested Amount has not been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the CTO Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xi) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and 4.14(a) of the Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the CTO Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid CTO Invested Amount of the Collateralized Trust Obligations, which may be less than the unpaid balance of the Collateralized Trust Obligations pursuant to the terms of the Agreement. All principal on the Collateralized Trust Obligations is due and payable no later than the February 2007 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-2 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-2 Termination Date and (ii) the day after the Distribution Date on which the Series 1998-2 Securities are paid in full (the "Series 1998-2 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Collateralized Trust Obligations. In the event that the CTO Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-2 Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Collateralized Trust Obligations referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

Exhibit A-4

FORM OF CLASS D INVESTOR SECURITY

THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. TRANSFERS OF THIS SECURITY SHALL BE SUBJECT TO THE RESTRICTIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. AND THE TRUSTEE THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING WITHOUT LIMITATION, FOR PURPOSES OF CLAUSE (IV) AND THIS CLAUSE (V), AS APPLICABLE, AN INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. ____ \$ _____

FINGERHUT MASTER TRUST
0% ASSET BACKED
SECURITY, SERIES 1998-2, CLASS D

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving consumer credit card accounts and closed-end

installment sale or loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment or Supplement thereto) by and between the Transferor, Fingerhut National Bank as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-2 Supplement, dated as of April 28, 1998 (the "Series 1998-2 Supplement"), among the Transferor, the Servicer and the Trustee. The Pooling and Servicing Agreement, as supplemented by the Series 1998-2 Supplement, is herein referred to as the "Agreement." The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under the Trust Property (as defined in the Agreement).

This Security does not purport to summarize the Agreement and reference is made to that Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust 0% Asset Backed Securities, Series 1998-2, Class D" (the "Class D Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

Fingerhut Receivables, Inc. shall be prohibited from transferring any interest in or portion of the Class D Security.

No principal will be payable to the Class D Securityholders (other than with respect to Class D Excess Amounts) until the earlier of the Expected Final Payment Date and, upon the occurrence of a Pay Out Event, the Distribution Date following the Monthly Period in which the Pay Out Event occurs but in no event earlier than the Distribution Date either on or following the Distribution Date on which Class A Invested Amount, Class B Invested Amount and the CTO Invested Amount have been paid in full. No principal will be payable to the Class D Securityholders until all principal payments have first been made to the Class A Securityholders, Class B Securityholders and CTO Securityholders.

"Class D Invested Amount" shall mean with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class D Securityholders through and including such Business Day and reductions of the Class D Invested Amount pursuant to subsection 4.12(d), minus (c) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Principal Collections through and including such Business Day for which the Class D Invested Amount has been reduced pursuant to subsection 4.14(d) of the Agreement, plus (e) the aggregate amount reimbursed with respect to reductions of the Class D Invested Amount through and including such Business Day pursuant to subsection 4.9(a)(xii) of the Agreement plus, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the

Agreement, for the purpose of reimbursing amounts deducted pursuant to the foregoing clauses (c) and (d); provided, however, that the Class D Invested Amount may not be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class D Invested Amount of the Class D Securities, which may be less than the unpaid balance of the Class D Securities pursuant to the terms of the Agreement. All principal on the Class D Securities is due and payable no later than the February 2007 Distribution Date (or if such day is not a Business Day, the next succeeding Business Day) (the "Scheduled Series 1998-2 Termination Date"). After the earlier to occur of (i) the Scheduled Series 1998-2 Termination Date or (ii) the day after the Distribution Date on which the Series 1998-2 Securities are paid in full (the "Series 1998-2 Termination Date") neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class D Securities. In the event that the Class D Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the CTO Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investors Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the CTO Securityholders pro rata in final payment of the Collateralized Trust Obligations and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed.

FINGERHUT RECEIVABLES, INC.

By:
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class D Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK (DELAWARE)

By:
Name:
Title:

EXHIBIT B

[Form of Monthly Securityholders' Statement]

EXHIBIT C

FORM OF CLEARING SYSTEM CERTIFICATE

Fingerhut Receivables, Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust Series 1998-2

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-2 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

This is to certify that, based solely on certifications we have received in writing, by telex or by electronic transmission from member organizations appearing in our records as Persons being entitled to a portion of the principal amount set forth below (our "Member Organizations"), as of the date hereof, \$ _____ principal amount of the Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs") (i) is beneficially owned by persons that are not U.S. persons or (ii) is owned by U.S. persons who purchased the CTOs in transactions that did not require registration under the United States Securities Act of 1933, as amended (the "Securities Act"). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act.

We further certify (i) that we are not making available herewith for exchange (or, if relevant, for the payment of interest on) any portion of the Temporary Regulation S Global Security excepted in such Member Organization certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, for the payment of interest on) are no longer true and cannot be relied upon at the date hereof.

We understand that this certification is required in connection with certain tax laws of the United States. In connection therewith, if administrative and legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Date: ____ *.

Yours faithfully,

[MORGAN GUARANTY TRUST COMPANY OF NEW
YORK, Brussels office, as operator of
the Euroclear System

or

CEDEL BANK, SOCIETE ANONYME]**

By: _____

EXHIBIT D

FORM OF MEMBER ORGANIZATION CERTIFICATE

Fingerhut Receivables, Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust Series 1998-2

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-2 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware) as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

This is to certify that, as of the date hereof and except as set forth below, the Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs") held by you for our account (i) are beneficially owned by persons that are not U.S. persons or (ii) are owned by U.S. persons who purchased the CTOs in transactions that did not require registration under the United States Securities Act of 1933, as amended (the "Securities Act"). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the CTOs held by you for our account in accordance with your documented procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certificate applies as of such date.

This certificate excepts and does not relate to U.S. \$ _____ in principal amount of CTOs held by you for our account, in respect of which we are not able to certify beneficial ownership. We understand that exchange and delivery of beneficial interests in the Regulation S Global Security or Rule 144A Global Security cannot be made until we do so certify.

We understand that this certificate is required in

connection with certain securities and tax laws of the United States of America. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings. As used herein, "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island, and Northern Mariana Islands) and other areas subject to its jurisdiction.

Dated: , 199_*

Yours faithfully,

[Name of Person giving
the certificate]

By:

EXHIBIT E

FORM OF REGULATION S TRANSFER CERTIFICATE

Fingerhut Receivables Inc.
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Attention: Corporate Trust Division

Re: Fingerhut Master Trust Series 1998-2

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, as supplemented by the Series 1998-2 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement") each by and among Fingerhut Receivables, Inc. as Transferor, and Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

[NOTE: INSERT [A] FOR A TRANSFER PRIOR TO THE EXCHANGE DATE OF AN INTEREST IN A RULE 144A GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A TEMPORARY REGULATION S GLOBAL SECURITY. INSERT [B] FOR A TRANSFER ON OR AFTER THE EXCHANGE DATE OF AN INTEREST IN A RULE 144A GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A REGULATION S GLOBAL SECURITY.]

[A] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs") which are held as a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) with DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest for an interest in a CTO

Temporary Regulation S Global Security (CUSIP No. _____) to be held with [the Euroclear System] [Cedel Bank, Societe Anonyme] through DTC.

[B] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs"), which are held as a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) with DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such beneficial interest for an interest in a CTO Regulation S Global Security (CUSIP No. _____) to be held with [the Euroclear System][Cedel Bank, Societe Anonyme] through DTC.

[NOTE: INSERT [C] IN ALL CASES UNLESS [D] IS INSERTED IN ACCORDANCE WITH THE NEXT SENTENCE. AT THE OPTION OF THE TRANSFEROR, [C] MAY BE INSERTED IN PLACE OF [D] ON AND AFTER THE CTO EXCHANGE DATE IN CASES OF A TRANSFER INTO A CTO REGULATION S GLOBAL SECURITY.]

[C] In connection with such request and in respect of such CTOs, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Pooling and Servicing Agreement and such CTOs and pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor does hereby certify that:

(i) the offer of the CTOs was not made to a Person in the United States,

(i) [at the time the buy order was originated, the transferee was outside the United States, or the Transferor and any Person acting on its behalf reasonably believed that the transferee was outside the United States,]**

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any Person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States,]*

(i) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable, and

(i) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

[D] In connection with such request and in respect of such CTOs, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Pooling and Servicing Agreement and the CTOs, and that the CTOs are being transferred in a transaction permitted by Rule 144A under the Securities Act.

This certificate and the statements contained herein are made for the benefit of the Trustee and the benefit of the Transferor and the initial purchaser.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

EXHIBIT F

FORM OF RULE 144A TRANSFER CERTIFICATE

Fingerhut Receivables
4400 Baker Road, Suite F470
Minnetonka, Minnesota 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust
Series 1998-2

Ladies and Gentlemen:

Reference is hereby made to the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998, as supplemented by the Series 1998-2 Supplement thereto, dated April 28, 1998 (collectively, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer and The Bank of New York (Delaware), as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Pooling and Servicing Agreement.

[NOTE: INSERT [A] FOR A TRANSFER PRIOR TO THE EXCHANGE DATE OF AN INTEREST IN A TEMPORARY REGULATION S GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RULE 144A GLOBAL SECURITY. INSERT [B] FOR A TRANSFER AFTER THE EXCHANGE DATE OF AN INTEREST IN A REGULATION S GLOBAL SECURITY TO A TRANSFEREE THAT TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RULE 144A GLOBAL SECURITY.]

[A] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs") which are held in the form of a beneficial interest in the CTO Temporary Regulation S Global Security (CUSIP No. _____) with [The Euroclear System] [Cedel Bank, Societe Anonyme] (Common Code No. _____) through DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the CTOs for a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) to be held with DTC in the name of [insert name of transferee].

[B] This letter relates to U.S. \$ _____ in principal amount of Fingerhut Master Trust, Series 1998-2, Collateralized Trust Obligations (the "CTOs") which are held in the form of a beneficial interest in the CTO Regulation S Global Security (CUSIP No. _____) with [The Euroclear System] [Cedel Bank, Societe anonyme] (Common Code No. _____) through the DTC in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the CTOs for a beneficial interest in the CTO Rule 144A Global Security (CUSIP No. _____) to be held with the DTC in the name of [insert name of transferee].

In connection with such request, and in respect of such CTOs, the Transferor does hereby certify that such CTOs are being transferred in accordance with (i) the transfer restrictions set forth in the Pooling and Servicing Agreement and the CTOs and (ii) Rule 144A under the Securities Act to a transferee that the Transferor reasonably believes is purchasing the CTOs for its own

account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and such transferee is aware that the sale to it is being made in reliance upon Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for the benefit of the Trustee, the benefit of the Transferor and the initial purchaser.

[Insert Name of Transferor]

By:
Name:
Title:

Dated: _____,

* This certificate is to be dated on the CTO Exchange Date or, if applicable, the subsequent date on which the CTO Regulation S Global Security is delivered to the undersigned in definitive form.

** Delete the inappropriate reference.

* This certificate must be dated no earlier than 15 days prior to the CTO Exchange Date.

** Insert one of these two provisions, which come from the definition of "offshore transaction" in Regulation S.

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of the Series 1998-3 Securityholders

SERIES 1998-3 SUPPLEMENT

Dated as of July 30, 1998

to

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

Dated as of March 18, 1998

FINGERHUT MASTER TRUST

Variable Funding Asset Backed Securities,
Series 1998-3, Class A

Variable Funding Asset Backed Securities,
Series 1998-3, Class B

Variable Funding Asset Backed Securities,
Series 1998-3, Class C

0% Variable Funding Asset Backed Securities,
Series 1998-3, Class D

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Exhibit C Form of Monthly Securityholders' Statement

Exhibit D Form of Securityholder Investor Letter
Exhibit E Form of Extension
Exhibit F Form of Investor Securityholder Election Notice

SERIES 1998-3 SUPPLEMENT, dated as of July 30, 1998 (this "Series Supplement") by and among FINGERHUT RECEIVABLES, INC., a corporation organized and existing under the laws of the State of Delaware, as Transferor (the "Transferor"), FINGERHUT NATIONAL BANK, a national banking association organized under the laws of the United States, as Servicer (the "Servicer"), and THE BANK OF NEW YORK (DELAWARE), a Delaware banking corporation organized and existing under the laws of the State of Delaware, as trustee (together with its successors in trust thereunder as provided in the Agreement referred to below, the "Trustee") under the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998 as amended, supplemented or otherwise modified from time to time (the "Agreement") among the Transferor, the Servicer and the Trustee.

Section 6.9 of the Agreement provides, among other things, that the Transferor and the Trustee may at any time and from time to time enter into a supplement to the Agreement for the purpose of authorizing the issuance by the Trustee to the Transferor, for execution and redelivery to the Trustee for authentication, of one or more Series of Securities.

Pursuant to this Series Supplement, the Transferor and the Trustee shall create a new Series of Investor Securities and shall specify the Principal Terms thereof.

SECTION 1 Designation. There is hereby created a Series of Investor Securities to be issued pursuant to the Agreement and this Series Supplement to be known generally as the "Series 1998-3 Securities." The Series 1998-3 Securities shall be issued in four Classes, which shall be designated generally as the Variable Funding Asset Backed Securities, Series 1998-3, Class A (the "Class A Securities"), the Variable Funding Asset Backed Securities, Series 1998-3, Class B (the "Class B Securities"), the Variable Funding Asset Backed Securities, Series 1998-3, Class C (the "Class C Securities") and the 0% Variable Funding Asset Backed Securities, Series 1998-3, Class D (the "Class D Securities").

SECTION 2 Definitions. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Agreement, the terms and provisions of this Series Supplement shall govern with respect to the Series 1998-3 Securities. All Article, Section or subsection references herein shall mean Article, Section or subsections of the Agreement, as amended or supplemented by this Series Supplement, except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Agreement. Each capitalized term defined herein shall relate only to the Series 1998-3 Securities and no other Series of Securities issued by the Trust.

"ABC Invested Amount" shall mean, with respect to any Business Day, the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount after giving effect to all adjustments of such amounts on such Business Day.

"Additional Class A Invested Amounts" shall have the meaning specified in Section 6.15 of the Agreement.

"Additional Class B Invested Amounts" shall have the meaning specified in Section 6.15 of the Agreement.

"Additional Class C Invested Amounts" shall have the meaning specified in Section 6.15 of the Agreement.

"Additional Class D Invested Amounts" shall have the meaning specified in Section 6.16 of the Agreement.

"Additional Invested Amounts" shall have the meaning specified in Section 6.15 of the Agreement.

"Adjusted Invested Amount" shall mean as of any Business Day the Invested Amount minus the sum of the Principal Funding Account Balance and the Series 1998-3 Percentage of the amount then on deposit in the Excess Funding Account.

"Administrative Agent" shall mean NationsBank, N.A. and any successor thereto under the Security Purchase Agreement.

"Aggregate ABC Principal Amount" shall mean with respect to any date of determination an amount equal to the sum of the Class A Outstanding Principal Amount, the Class B Outstanding Principal Amount and the Class C Outstanding Principal Amount, each as of such date of determination.

"Aggregate Interest Component" shall mean the aggregate sum of the Interest Components of all issued and outstanding Commercial Paper.

"Aggregate Interest Rate Caps Notional Amount" shall mean with respect to any date of determination an amount equal to the sum of the notional amounts or equivalent amounts of all outstanding Cap Agreements, Replacement Interest Rate Caps and Qualified Substitute Arrangements, each as of such date of determination.

"Alternate Purchasers" shall have the meaning set forth in the Security Purchase Agreement.

"Amortization Period" shall mean the period beginning on the day following the last day of the Revolving Period and ending on the Series 1998-3 Termination Date.

"Amortization Period Commencement Date" shall mean (i) the earlier of the first day of the August 2001 Monthly Period and the Pay Out Commencement Date or (ii) if there is any Extension, the earlier of the date specified as such in the most recent Extension Notice and the Pay Out Commencement Date.

"Available Series 1998-3 Finance Charge Collections" shall have the meaning specified in subsection 4.9(a) of the Agreement.

"Available Series 1998-3 Principal Collections" shall mean, with respect to any Business Day in the Amortization Period, an amount equal to the sum of (i) an amount equal to the Fixed/Floating Percentage on such Business Day of all Principal Collections (less the amount of Redirected Principal Collections) received on such Business Day, (ii) any amount on deposit in the Excess Funding Account allocated to the Series 1998-3 Securities pursuant to subsection 4.3(f) of the Agreement with respect to such Business Day, (iii) an amount equal to the sum of the aggregate Series Default Amount with respect to such Business Day and the Series 1998-3 Percentage of any unpaid Adjustment Payments to be treated as Available Series 1998-3 Principal Collections pursuant to subsections 4.9(a)(v) and 4.9(a)(vi) of the Agreement with respect to such Business Day and any reimbursements of unreimbursed Series Charge-Offs to be treated as Available Series 1998-3 Principal Collections pursuant to subsections 4.9(a)(vii), (viii), (ix) and (x) of the Agreement with respect to such Business Day plus in each case, amounts applied with respect thereto pursuant to subsections 4.10(a) and (b), 4.14(a), (b) and (c) and 4.16(b) of the Agreement, (iv) amounts specified in the last sentence of Section 3A(h) of this Series Supplement and (v) the aggregate Shared Principal Collections allocated to the Series 1998-3 Securities pursuant to Section 4.8 of the Agreement with respect to such Business Day.

"Bank Rate" shall mean, for any Funding Period, an interest rate per annum equal to the sum of (a) LIBOR and (b) 0.45% per annum, provided, however, that:

(i) if any Purchaser or Liquidity Provider determines that (A) it would be contrary to law or to the directive of any central bank or other governmental authority to obtain United States dollars in the London interbank market to fund its investment in a Senior Security for such Funding Period, or (B) it is unable, by reason of circumstances affecting the London interbank market generally, to obtain United States dollars in such market to fund its investment in such Senior Security for such Funding Period, then the Bank Rate for such Funding Period shall be the Federal Funds Effective Rate plus 0.45%; and

(ii) following the occurrence and during the continuance of a Pay Out Event, the Bank Rate shall be an interest rate per annum equal to the sum of (A) the Prime Rate and (B) two percent (2%) per annum.

"Base Rate" shall mean, as of any Business Day, the sum of (i) the weighted average of (A) the Class A Interest Rate, (B) the Class B Interest Rate, (C) the Class C Interest Rate and (D) if an interest rate is assigned to the Class D Securities pursuant to Section 4.20 of the Agreement, the Class D Interest Rate, each as of such Business Day, plus (ii) the product of 2% per annum and the percentage equivalent of a fraction the numerator of which is the Adjusted Invested Amount and the denominator of which is the Invested Amount.

"Benefit Plan" shall mean (i) an employee benefit plan (as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Code or (iii) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity.

"Cap Agreements" shall mean the interest rate cap agreements, between the Transferor and a Cap Provider, as amended from time to time, and any additional interest rate protection agreement or agreements, entered into between the Transferor and a Cap Provider, as the same may from time to time be amended, restated, modified and in effect.

"Cap Proceeds Account" shall have the meaning specified in subsection 3A(b) of this Series Supplement.

"Cap Provider" shall mean a third party cap provider having a senior unsecured debt rating of at least "Aa2" by Moody's.

"Cap Receipt Amount" shall mean, with respect to any Business Day the amount on deposit in the Cap Proceeds Account.

"Cap Settlement Date" shall have the meaning specified in subsection 3A(b) of this Series Supplement.

"Capped Interest Rate" shall mean LIBOR plus 0.45%.

"Capped Class A Interest" shall mean, with respect to a Business Day, an amount equal to the product of (i) the Capped Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class A Outstanding Principal Amount.

"Capped Class A Interest Shortfall" shall mean, with respect to a Business Day, the amount equal to the excess, if any, of (x) the Capped Class A Interest for such Business Day plus the Capped Class A Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the

Class A Securityholders in respect thereof on such Business Day.
The Capped Class A Interest Shortfall shall initially be zero.

"Capped Class B Interest" shall mean, with respect to a Business Day, an amount equal to the product of (i) the Capped Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class B Outstanding Principal Amount.

"Capped Class B Interest Shortfall" shall mean, with respect to a Business Day, the amount equal to the excess, if any, of (x) the Capped Class B Interest for such Business Day plus the Capped Class B Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the Class B Securityholders in respect thereof on such Business Day. The Capped Class B Interest Shortfall shall initially be zero.

"Capped Class C Interest" shall mean, with respect to a Business Day, an amount equal to the product of (i) the Capped Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class C Outstanding Principal Amount.

"Capped Class C Interest Shortfall" shall mean, with respect to a Business Day, the amount equal to the excess, if any, of (x) the Capped Class C Interest for such Business Day plus the Capped Class C Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the Class C Securityholders in respect thereof on such Business Day. The Capped Class C Interest Shortfall shall initially be zero.

"Class A Adjusted Invested Amount" shall mean, with respect to any date of determination, an amount equal to the Class A Invested Amount minus the product of (a) the Class A Percentage and (b) the Principal Funding Account Balance on such date of determination.

"Class A Charge-Offs" shall have the meaning specified in subsection 4.13(d) of the Agreement.

"Class A Enhancement Interest" shall mean, for any Business Day, an amount equal to the interest accrued from and including the preceding Business Day to but excluding such Business Day on any conduit program enhancement disbursement related to an amount equal to the excess of (i) the aggregate amount of draws on the conduit program enhancement facility supporting each Conduit Purchaser's Commercial Paper over (ii) the sum of the Class B Outstanding Principal Amount and the Class C Outstanding Principal Amount.

"Class A Facility Usage Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .125% and (iii) the Class A Invested Amount on the preceding Business Day.

"Class A Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class A Adjusted Invested Amount as of the beginning of such Business Day after taking into account all adjustments of the Class A Adjusted Invested Amount on such day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amounts on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or

fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class A Funding Interest" shall mean, with respect to any day, the sum of (i) the Interest Component accrued for such day with respect to Commercial Paper issued to fund any Class A Funding Shortfall and (ii) the interest accrued for such day under a Liquidity Provider Agreement on amounts drawn to fund any Class A Funding Shortfall.

"Class A Funding Shortfall" shall mean, with respect to any Business Day, an amount equal to the excess, if any, of (x) the portion of Class A Interest accrued with respect to Funding Periods ending on such Business Day plus Class A Funding Interest for such Business Day plus the Class A Funding Shortfall for the preceding Business Day over (y) the amount paid to the Administrative Agent, for the benefit of the Class A Securityholders, in respect thereof on such Business Day. The Class A Funding Shortfall shall initially be zero.

"Class A Initial Invested Amount" shall mean \$76,522,727.27.

"Class A Interest" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Interest Rate" shall mean with respect to any Business Day, a per annum interest rate equal to the rate which if multiplied by the Class A Outstanding Principal Amount as of the close of business on the preceding Business Day, would produce, on the basis of a 365- or 366-day year, as the case may be, an amount equal to the sum of (i) the product of (a) the Class A Percentage and (b) the Cost of Funds for the period from and including the immediately preceding Business Day to but excluding such Business Day, (ii) if the Bank Rate is not used to determine the Daily Accrued Interest for such Business Day, the Class A Program Fee for such Business Day, (iii) the Class A Facility Usage Fee for such Business Day and (iv) the Class A Enhancement Interest for such Business Day.

"Class A Interest Shortfall" shall have the meaning specified in subsection 4.6(a) of the Agreement.

"Class A Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount applied through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to Sections 4.10 and 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clause (c) and plus (e) the aggregate principal amount of any Additional Class A Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class A Invested Amount shall in no event be reduced below zero or greater than the Class A Maximum Invested Amount.

"Class A Maximum Invested Amount" shall mean \$336,363,636 or such lesser amount as is specified in writing by the Transferor from time to time upon 30 days prior written notice to the Trustee and the Senior Securityholders.

"Class A Outstanding Principal Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class A Invested Amounts purchased by the Class A Securityholders on or prior to such Business Day pursuant to Section 6.15 of the Agreement minus (c) the aggregate amount of principal payments made to the Class A Securityholders

on or prior to such Business Day.

"Class A Percentage" shall mean a fraction the numerator of which is the Class A Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount.

"Class A Principal" shall mean the principal distributable in respect of the Class A Securities as calculated in accordance with subsection 4.7(a) of the Agreement.

"Class A Program Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .075% and (iii) the Class A Invested Amount on the preceding Business Day.

"Class A Required Amount" shall mean the amount determined by the Servicer on each Business Day equal to the excess, if any, of (x) the sum of (i) the amount described in subsection 4.9(a)(i)(y) for such Business Day, (ii) the Class A Percentage of the Daily Portion of the Servicing Fee for the then current Monthly Period, (iii) the Class A Percentage of the Series Default Amount, if any, for such Business Day and, to the extent not previously paid, for any previous Business Day in such Monthly Period and (iv) on each Transfer Date the Class A Percentage of the Series 1998-3 Percentage of the Adjustment Payment required to be made by the Transferor but not made on such Transfer Date, over (y) the Available Series 1998-3 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (iv).

"Class A Securities" shall mean the variable funding securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-1 hereto.

"Class A Securityholders" shall mean each Person in whose name a Class A Security is registered in the Security Register.

"Class A Securityholders' Interest" shall mean the portion of the Series 1998-3 Securityholders' Interest evidenced by the Class A Securities.

"Class B Adjusted Invested Amount" shall mean, with respect to any date of determination, an amount equal to the Class B Invested Amount minus the product of (a) the Class B Percentage and (b) the Principal Funding Account Balance on such date of determination.

"Class B Charge-Offs" shall have the meaning specified in subsection 4.13(c) of the Agreement.

"Class B Enhancement Interest" shall mean, for any Business Day, an amount equal to the interest accrued from and including the preceding Business Day to but excluding such Business Day on any conduit program enhancement disbursement related to an amount equal to the excess of (i) the aggregate amount of draws on the conduit program enhancement facility supporting each Conduit Purchaser's Commercial Paper over (ii) the Class C Outstanding Principal Amount (such excess not to exceed an amount equal to the Class B Outstanding Principal Amount).

"Class B Facility Usage Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .1875% and

(iii) the Class B Invested Amount on the preceding Business Day.

"Class B Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date, the percentage equivalent of a fraction, the numerator of which is the Class B Adjusted Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class B Adjusted Invested Amount as of the beginning of such Business Day after taking into account all adjustments of the Class B Adjusted Invested Amount on such day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class B Funding Interest" shall mean, with respect to any day, the sum of (i) the Interest Component accrued for such day with respect to Commercial Paper issued to fund any Class B Funding Shortfall and (ii) the interest accrued for such day under a Liquidity Provider Agreement on amounts drawn to fund any Class B Funding Shortfall.

"Class B Funding Shortfall" shall mean, with respect to any Business Day, an amount equal to the excess, if any, of (x) the portion of Class B Interest accrued with respect to Funding Periods ending on such Business Day plus Class B Funding Interest for such Business Day plus the Class B Funding Shortfall for the preceding Business Day over (y) the amount paid to the Administrative Agent, for the benefit of the Class B Securityholders, in respect thereof on such Business Day. The Class B Funding Shortfall shall initially be zero.

"Class B Initial Invested Amount" shall mean \$2,068,181.82.

"Class B Interest" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Interest Rate" shall mean with respect to any Business Day, a per annum interest rate equal to the rate which if multiplied by the Class B Outstanding Principal Amount as of the close of business on the preceding Business Day, would produce, on the basis of a 365- or 366-day year, as the case may be, an amount equal to the sum of (i) the product of (a) the Class B Percentage and (b) the Cost of Funds for the period from and including the immediately preceding Business Day to but excluding such Business Day, (ii) if the Bank Rate is not used to determine the Daily Accrued Interest for such Business Day, the Class B Program Fee for such Business Day, (iii) the Class B Facility Usage Fee for such Business Day and (iv) the Class B Enhancement Interest for such Business Day.

"Class B Interest Shortfall" shall have the meaning specified in subsection 4.6(b) of the Agreement.

"Class B Invested Amount" shall mean, when used with

respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections for which neither the Class D Invested Amount nor the Class C Invested Amount has been reduced on all prior Distribution Dates pursuant to Section 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount applied through and including such Business Day pursuant to subsection 4.9(a)(viii) of the Agreement (including with respect to such subsection, amounts applied thereto pursuant to Sections 4.10 and 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (c) and (d), and plus (f) the aggregate principal amount of any Additional Class B Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class B Invested Amount shall in no event be reduced below zero or greater than the Class B Maximum Invested Amount.

"Class B Maximum Invested Amount" shall mean \$9,090,909 or such lesser amount as is specified in writing by the Transferor from time to time upon 30 days prior written notice to the Trustee and the Senior Securityholders.

"Class B Outstanding Principal Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class B Invested Amounts purchased by the Class B Securityholders on or prior to such Business Day pursuant to Section 6.15 of the Agreement minus (c) the aggregate amount of principal payments made to Class B Securityholders on or prior to such Business Day.

"Class B Percentage" shall mean a fraction the numerator of which is the Class B Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount.

"Class B Principal" shall mean the principal distributable in respect of the Class B Securities as calculated in accordance with subsection 4.7(b) of the Agreement.

"Class B Principal Payment Commencement Date" shall mean the earlier of (a) the first Business Day in the Amortization Period on which the Class A Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 1998-3 Securities remaining after payments have been made to the Class A Securities on such Business Day, the Business Day following the Business Day on which the Class A Invested Amount is paid in full, and (b) the Business Day following a sale or repurchase of the Receivables as set forth in Section 2.4(e), 9.2, 10.2, 12.1 or 12.2 of the Agreement or Section 3 of this Series Supplement.

"Class B Program Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .250% and (iii) the Class B Invested Amount on the preceding Business Day.

"Class B Required Amount" shall mean the amount determined by the Servicer on each Business Day equal to the excess, if any, of (x) the sum of (i) the amount described in subsection 4.9(a)(ii)(y) for such Business Day, (ii) the Class B Percentage of the Daily Portion of the Servicing Fee for the then current Monthly Period, (iii) the Class B Percentage of the Series Default Amount, if any, for such Business Day and, to the extent not previously paid, for any previous Business Day in such Monthly Period and (iv) the Class B Percentage of the Series 1998-3 Percentage of the Adjustment Payment required to be made by the

Transferor but not made on the related Transfer Date, over (y) the Available Series 1998-3 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (iv).

"Class B Securities" shall mean the variable funding securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-2 hereto.

"Class B Securityholders" shall mean each Person in whose name a Class B Security is registered in the Security Register.

"Class B Securityholders' Interest" shall mean the portion of the Series 1998-3 Securityholders' Interest evidenced by the Class B Securities.

"Class C Adjusted Invested Amount" shall mean, with respect to any date of determination, an amount equal to the Class C Invested Amount minus the product of (a) the Class C Percentage and (b) the Principal Funding Account Balance on such date of determination.

"Class C Charge-Offs" shall have the meaning specified in subsection 4.13(b) of the Agreement.

"Class C Enhancement Interest" shall mean, for any Business Day, an amount equal to the interest accrued from and including the preceding Business Day to but excluding such Business Day on any conduit program enhancement disbursement related to an amount equal to the lesser of (i) the aggregate amount of draws on the conduit program enhancement facility supporting each Conduit Purchaser's Commercial Paper and (ii) the Class C Outstanding Principal Amount.

"Class C Facility Usage Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .1875% and (iii) the Class C Invested Amount on the preceding Business Day.

"Class C Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date the percentage equivalent of a fraction, the numerator of which is the Class C Adjusted Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class C Floating Percentage" shall mean, with respect to any Business Day, the percentage equivalent of a fraction, the numerator of which is the Class C Adjusted Invested Amount as of the beginning of such Business Day after taking into account all adjustments of the Class C Adjusted Invested Amount on such day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class C Funding Interest" shall mean, with respect to any day, (i) the Interest Component accrued for such day with respect to Commercial Paper issued to fund any Class C Funding Shortfall and (ii) the interest accrued for such day under a Liquidity Provider Agreement on amounts drawn to fund any Class A Funding Shortfall.

"Class C Funding Shortfall" shall mean, with respect to any Business Day, an amount equal to the excess, if any, of (x) the portion of Class C Interest accrued with respect to Funding Periods ending on such Business Day plus Class C Funding Interest for such Business Day plus the Class C Funding Shortfall for the preceding Business Day over (y) the amount paid to the Administrative Agent, for the benefit of the Class C Securityholders, in respect thereof on such Business Day. The Class C Funding Shortfall shall initially be zero.

"Class C Initial Invested Amount" shall mean \$12,409,090.91.

"Class C Interest" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"Class C Interest Rate" shall mean with respect to any Business Day, a per annum interest rate equal to the rate which if multiplied by the Class C Outstanding Principal Amount as of the close of business on the preceding Business Day, would produce, on the basis of a 365- or 366 -day year, as the case may be, an amount equal to the sum of (i) the product of (a) the Class C Percentage and (b) the Cost of Funds for the period from and including the immediately preceding Business Day to but excluding such Business Day, (ii) if the Bank Rate is not used to determine the Daily Accrued Interest for such Business Day, the Class C Program Fee for such Business Day, (iii) the Class C Facility Usage Fee for such Business Day and (iv) the Class C Enhancement Interest for such Business Day.

"Class C Interest Shortfall" shall have the meaning specified in subsection 4.6(c) of the Agreement.

"Class C Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class C Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class C Securityholders through and including such Business Day, minus (c) the aggregate amount of Class C Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections and Redirected Class C Principal Collections for which the Class D Invested Amount has not been reduced on all prior Distribution Dates pursuant to Section 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount applied through and including such Business Day pursuant to subsections 4.9(a)(ix) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b), 4.16(b) and Section 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (c) and (d), and plus (f) the aggregate principal amount of any Additional Class C Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class C Invested Amount shall in no event be reduced below zero or greater than the Class C Maximum Invested Amount.

"Class C Maximum Invested Amount" shall mean \$54,545,455 or such lesser amount as is specified in writing by the Transferor from time to time upon 30 days prior written notice to the Trustee and the Senior Securityholders.

"Class C Outstanding Principal Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class C Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class C Invested Amounts purchased by the Class C Securityholders on or prior to such Business Day pursuant to Section 6.15 of the Agreement, minus (c) the

aggregate amount of principal payments made to Class C Securityholders on or prior to such Business Day.

"Class C Percentage" shall mean a fraction the numerator of which is the Class C Invested Amount and the denominator of which is the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount.

"Class C Principal" shall mean the principal distributable in respect of the Class C Securities as calculated in accordance with subsection 4.7(c) of the Agreement.

"Class C Principal Payment Commencement Date" shall mean the earlier of (a) the first Business Day in the Amortization Period on which the Class B Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 1998-3 Securities remaining after payments have been made to the Class B Securities on such Business Day, the Business Day following the Business Day on which the Class B Invested Amount is paid in full, and (b) the Business Day following a sale or repurchase of the Receivables as set forth in Sections 2.4(e), 9.2, 10.2, 12.1 or 12.2 of the Agreement and Section 3 of this Series Supplement.

"Class C Program Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .450% and (iii) the Class C Invested Amount on the preceding Business Day.

"Class C Required Amount" shall mean the amount determined by the Servicer on each Business Day equal to the excess, if any, of (x) the sum of (i), the amount described in subsection 4.9(a)(iii)(y) for such Business Day, (ii) the Class C Percentage of the Daily Portion of the Servicing Fee for the then current Monthly Period, (iii) the Class C Percentage of the Series Default Amount, if any, for such Business Day and, to the extent not previously paid, for any previous Business Day in such Monthly Period and (iv) the Class C Percentage of the Series 1998-3 Percentage of the Adjustment Payment required to be made by the Transferor but not made on the related Transfer Date, over (y) the Available Series 1998-3 Finance Charge Collections plus any Excess Finance Charge Collections from other Series and any Transferor Finance Charge Collections allocated with respect to the amounts described in clauses (x)(i) through (iv).

"Class C Reserve Account" shall have the meaning specified in subsection 4.16(a) of the Agreement.

"Class C Securityholders" shall mean each Person in whose name a Class C Security is registered in the Security Register.

"Class C Securityholders' Interest" shall mean the portion of the Series 1998-3 Securityholders' Interest evidenced by the Class C Securities.

"Class C Securities" shall mean the variable funding securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-3 hereto.

"Class C Trigger Event" shall have the meaning specified in Section 4.15 of the Agreement.

"Class D Charge-Offs" shall have the meaning specified in subsection 4.13(a) of the Agreement.

"Class D Excess Amount" shall mean, with respect to any Business Day, the excess of the Class D Invested Amount over the Stated Class D Amount on such Business Day after taking into account all adjustments of the Invested Amount on such day.

"Class D Fixed/Floating Percentage" shall mean for any Business Day on or after the Amortization Period Commencement Date the percentage equivalent of a fraction, the numerator of which is the Class D Invested Amount at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Floating Percentage" shall mean with respect to any Business Day the percentage equivalent of a fraction, the numerator of which is the Class D Invested Amount as of the beginning of such Business Day after taking into account all adjustments of the Class D Invested Amount on such day and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables as of the beginning of such Business Day and the amount on deposit in the Excess Funding Account as of the beginning of such Business Day after giving effect to any deposits or withdrawals to be made to the Excess Funding Account on such Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Class D Initial Invested Amount" shall mean \$12,409,090.91.

"Class D Interest Rate" shall have the meaning specified in subsection 4.20 of the Agreement.

"Class D Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class D Invested Amounts pursuant to Section 6.16 of the Agreement, minus (c) the aggregate amount of principal payments made to Class D Securityholders and reductions of the Class D Invested Amount pursuant to subsection 4.7(d) of the Agreement through and including such Business Day, minus (d) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (e) the aggregate amount of Redirected Principal Collections for which the Class D Invested Amount has been reduced on all prior Distribution Dates, and plus (f) the sum of the aggregate amount applied through and including such Business Day pursuant to subsections 4.9(a)(x) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (d) and (e); provided, however, that the Class D Invested Amount shall in no event be reduced below zero.

"Class D Maximum Invested Amount" shall mean \$54,545,455 or such lesser amount as is specified in writing by the Transferor from time to time upon 30 days prior written notice to the Trustee and the Securityholders.

"Class D Outstanding Principal Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class D Invested Amounts pursuant to Section 6.16 of the Agreement, minus (c) the aggregate amount of principal payments made to Class D Securityholders and reductions of the Class D Invested Amount pursuant to subsection 4.7(d) of the Agreement through and including such Business Day.

"Class D Principal" shall mean the principal

distributable in respect of the Class D Securities as specified in subsection 4.7(d) of the Agreement.

"Class D Principal Payment Commencement Date" shall mean the earlier of (a) the first Business Day in the Amortization Period on which the Class C Invested Amount is paid in full or, if there are no Principal Collections allocable to the Series 1998-3 Securities remaining after payments have been made to the Class C Securities on such Business Day, the Business Day following the Business Day on which the Class C Invested Amount is paid in full, and (b) the Business Day following a sale or repurchase of the Receivables as set forth in Sections 2.4(e), 9.2, 10.2, 12.1 and 12.2 of the Agreement and Section 3 of this Series Supplement.

"Class D Securityholders" shall mean each Person in whose name a Class D Security is registered in the Security Register.

"Class D Securityholders' Interest" shall mean the portion of the Series 1998-3 Securityholders' Interest evidenced by the Class D Securities.

"Class D Securities" shall mean the Securities executed by the Transferor and authenticated by or on behalf of the Trustee, substantially in the form of Exhibit A-4 hereto.

"Closing Date" shall mean the date of initial issuance of Securities of Series 1998-3.

"Commercial Paper" shall mean the promissory notes issued by the Conduit Purchasers in the commercial paper market pursuant to the related facility documentation.

"Conduit Purchasers" shall have the meaning given to such term in the Security Purchase Agreement.

"Cost of Funds" shall mean, with respect to any day during each Monthly Period, the greater of (a) the sum of the Daily Accrued Interest for each Purchaser Group on such day and (b) the Servicer's most recent estimate, delivered to the Trustee from time to time, of the average daily amount of the Daily Accrued Interest for each Purchaser Group during such Monthly Period.

"Daily Accrued Interest" shall mean, for each Purchaser Group with respect to any day, the sum of (a) the Interest Component accrued with respect to such day of outstanding Commercial Paper which has been issued by the Conduit Purchaser(s) in such Purchaser Group to fund all or a portion of such Purchaser Group's Percentage of the ABC Invested Amount, (b) the interest accrued at the Bank Rate with respect to such day on amounts borrowed by the Conduit Purchaser(s) in such Purchaser Group under a Liquidity Provider Agreement to fund all or a portion of the ABC Invested Amount and (c) the interest accrued at the Bank Rate with respect to such day on amounts funded by Alternate Purchasers in such Purchaser Group with respect to all or a portion of such Purchaser Group's Percentage of the ABC Invested Amount.

"Daily Portion" shall mean, with respect to any amount determined pursuant hereto, the product of such amount and a fraction the numerator of which shall be the number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which shall be the number of days in the then current Monthly Period.

"Distribution Date" shall mean September 15, 1998, and the fifteenth day of each month thereafter, or if such day is not a Business Day, the next succeeding Business Day; provided, however, that the final Distribution Date with respect to the payment of principal and interest shall be the Scheduled Series 1998-3 Termination Date.

"Early Amortization Period" shall mean the period beginning on the day on which a Pay Out Event occurs or is deemed to have occurred and ending on the earlier of (i) the date on which the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount have been paid in full and (ii) the Series 1998-3 Termination Date.

"Election Date" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"Election Notice" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"Enhancement" shall mean, with respect to the Class A Securities, the subordination of the Class B Invested Amount, the Class C Invested Amount, and the Class D Invested Amount, with respect to the Class B Securities, the subordination of the Class C Invested Amount and the Class D Invested Amount, and with respect to the Class C Securities, the subordination of the Class D Invested Amount.

"Excess Finance Charge Collections" shall mean, with respect to any Business Day, as the context requires, either (x) the amount described in subsection 4.9(a)(xx) of the Agreement allocated to the Series 1998-3 Securities but available to cover shortfalls in amounts paid from Finance Charge Collections for other Series, if any, or (y) the aggregate amount of Finance Charge Collections allocable to other Series in excess of the amounts necessary to make required payments with respect to such Series, if any, and available to cover shortfalls with respect to the Series 1998-3 Securities.

"Extension" shall mean the procedure by which the Series 1998-3 Securityholders consent to the extension of the Revolving Period to the new Amortization Period Commencement Date set forth in the Extension Notice, pursuant to Section 6.17 of the Agreement.

"Extension Date" shall mean the first day of the August 2001 Monthly Period or if an Extension has already occurred, the date of the next Extension Date set forth in the Extension Notice relating to the Extension then in effect (or, if any such date is not a Business Day, the next preceding Business Day).

"Extension Notice" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"Extension Opinion" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"Extension Tax Opinion" shall have the meaning specified in subsection 6.17(a) of the Agreement.

"Facility Limit" shall mean \$400,000,000; provided, that such amount may not at any time exceed the aggregate of the Class A Commitment Amounts, the Class B Commitment Amounts and the Class C Commitment Amounts (as each is defined in the Security Purchase Agreement) at any time in effect; provided, further, that from and after the Increase Termination Date the Facility Limit shall at all times equal the Aggregate ABC Principal Amount plus the Aggregate Interest Component; provided, further, that the Transferor may, from time to time upon at least thirty (30) days prior written notice to each Managing Agent, elect to reduce the Facility Limit to an amount no less than the outstanding Invested Amount after giving effect to any Additional Invested Amounts requested on such date.

"Facility Unused Fee" shall mean, for any Business Day, an amount equal to the sum of (A) the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) 0.125% and

(iii) the excess of (a) the Class A Maximum Invested Amount minus the Class A Invested Amount as of the preceding Business Day and (B) the product of (i) a fraction the numerator of which is the actual number of days from and including the preceding Business Day to but excluding such Business Day and the denominator of which is 360, (ii) .1875% and (iii) the excess of (x) the sum of the Class B Maximum Invested Amount and the Class C Maximum Invested Amount over (y) the sum of the Class B Invested Amount and the Class C Invested Amount, each as of the preceding Business Day.

"FCI Note" shall have the meaning specified in Section 13 of this Series Supplement.

"FCI Note Required Amount" shall have the meaning specified in Section 13 of this Series Supplement.

"Federal Funds Effective Rate" shall mean, for any day, 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 on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed/Floating Percentage" shall mean for any Business Day the percentage equivalent of a fraction, the numerator of which is the sum of the Class A Adjusted Invested Amount, the Class B Adjusted Invested Amount, the Class C Adjusted Invested Amount and the Class D Invested Amount, in each case at the end of the last day of the Revolving Period and the denominator of which is the greater of (a) the sum of the aggregate amount of Principal Receivables and the amount on deposit in the Excess Funding Account as of the end of the preceding Business Day and (b) the sum of the numerators used to calculate the applicable floating or fixed/floating percentages with respect to all Participations and all Classes of all Series then outstanding.

"Floating Percentage" shall mean for any Business Day the sum of the applicable Class A Floating Percentage, Class B Floating Percentage, Class C Floating Percentage, and Class D Floating Percentage for such Business Day.

"Funding Period" shall have the meaning specified in the Security Purchase Agreement.

"Increased Costs" shall have the meaning specified in the Security Purchase Agreement.

"Increase Termination Date" shall mean the earliest to occur of (i) the Amortization Period Commencement Date, (ii) that Business Day which the Transferor designates as the "Increase Termination Date" by written notice to the Administrative Agent at least 30 days prior to such date or (iii) the Specified Termination Date.

"Interest Accrual Period" shall mean a Monthly Period and, with respect to a Distribution Date, the preceding Monthly Period; provided, however, that the initial Interest Accrual Period shall be the period from the Closing Date to and including the last day of the Monthly Period preceding the initial Distribution Date.

"Interest Component" shall mean, with respect to any Commercial Paper (i) issued on a discount basis, the portion of the face amount of such Commercial Paper representing the discount incurred in respect thereof and (ii) issued on an interest-bearing basis, the interest payable on such Commercial Paper (in each case including the related Commercial Paper dealer fees payable in connection with the issuance of such Commercial Paper).

"Interest Rate Caps" shall mean the interest rate caps provided pursuant to Cap Agreements by one or more Cap Providers to the Transferor and assigned to the Trustee on behalf of any of the Securityholders which shall entitle the Trust to receive monthly payments equal to the product of (i) the positive difference, if any, between LIBOR in effect for each applicable Interest Period and 6.05%, (ii) the notional amount of such interest rate cap and (iii) the actual number of days in the Interest Period divided by 360.

"Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to the sum of (a) the Class A Invested Amount as of such Business Day, (b) the Class B Invested Amount as of such Business Day, (c) the Class C Invested Amount as of such Business Day and (d) the Class D Invested Amount as of such Business Day; provided, however, that for purposes of determining the Servicing Fee and the Aggregate Invested Amount, the Invested Amount shall mean an amount equal to the sum of (a) the Class A Adjusted Invested Amount as of such Business Day, (b) the Class B Adjusted Invested Amount as of such Business Day, (c) the Class C Adjusted Invested Amount as of such Business Day and (d) the Class D Invested Amount as of such Business Day.

"LIBOR" shall mean, for any Interest Accrual Period, the London interbank offered quotations for one-month Dollar deposits determined by the Trustee for each Interest Accrual Period in accordance with the provisions of Section 4.21 of the Agreement.

"LIBOR Determination Date" shall mean the second Business Day prior to the commencement of each Interest Accrual Period; provided, however, that with respect to the initial Interest Accrual Period for the Series 1998-3 Securities, LIBOR Determination Date shall mean a date selected by the Transferor which shall not be in excess of two Business Days prior to the date of initial issuance of Securities of the applicable Class. For purposes of this definition, a Business Day is any day on which banks in London and New York are open for the transaction of international business.

"Liquidity Provider" shall have the meaning given to such term in the Security Purchase Agreement.

"Liquidity Provider Agreement" shall have the meaning given to such term in the Security Purchase Agreement.

"Managing Agent" shall have the meaning given to such term in the Security Purchase Agreement.

"Minimum Transferor Percentage" shall mean 0%; provided, however, that in certain circumstances such percentage may be increased.

"Monthly Period" shall have the meaning specified in the Agreement, except that the first Monthly Period with respect to the Series 1998-3 Securities shall begin on and include the Closing Date and shall end on and include the last day of the then current fiscal month of the Transferor.

"Moody's" shall mean Moody's Investors Service, Inc. and any successor thereto.

"NationsBank" shall mean NationsBank, N.A., a national banking association.

"Negative Carry Amount" shall have the meaning specified in subsection 4.10(a) of the Agreement.

"Net Revolving Principal Collections" shall have the meaning specified in Section 4.9(b) of the Agreement.

"Paying Agent" shall mean, for the Series 1998-3

Securities, The Bank of New York.

"Payment Reserve Account" shall have the meaning specified in Section 4.17 of the Agreement.

"Pay Out Commencement Date" shall mean the date on which a Trust Pay Out Event is deemed to occur pursuant to Section 9.1 of the Agreement or a Series Pay Out Event is deemed to occur pursuant to Section 8 of this Series Supplement.

"Portfolio Yield" shall mean for the Series 1998-3 Securities, with respect to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is an amount equal to the aggregate amount of Available Series 1998-3 Finance Charge Collections for such Monthly Period (not including (a) the amounts withdrawn from the Payment Reserve Account, (b) Adjustment Payments made by the Transferor with respect to Adjustment Payments required to be made but not made in prior Monthly Periods, if any, and (c) the amount of any Finance Charge Collections received with respect to the final payment of any Closed End Receivable that is refinanced with a receivable arising under a revolving credit card account), calculated on a cash basis, after subtracting the aggregate Series Default Amount for such Monthly Period and the Series 1998-3 Percentage of any Adjustment Payments which the Transferor is required but fails to make pursuant to the Agreement for such Monthly Period, and the denominator of which is the average daily Invested Amount for such Monthly Period; provided, however, that Excess Finance Charge Collections applied for the benefit of the Series 1998-3 Securityholders may be added to the numerator if (i) the Transferor shall have provided ten Business Days prior written notice of such action to each Rating Agency and the Senior Securityholders and (ii) the Required Senior Securityholders shall have given their written consent to such action.

"Prime Rate" shall mean, a rate per annum equal to the greater of (i) the prime rate of interest announced by NationsBank from time to time, changing when and as said prime rate changes (such rate not necessarily being the lowest or best rate charged by NationsBank) and (ii) the sum of (a) 0.50% and (b) the rate 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 immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by NationsBank from three Federal funds brokers of recognized standing selected by it.

"Principal Funding Account" shall have the meaning specified in Section 4.19 of the Agreement.

"Principal Funding Account Balance" shall mean, with respect to any date of determination, the principal amount, if any, on deposit in the Principal Funding Account on such date of determination.

"Principal Shortfalls" shall mean on any Business Day (i) prior to the Amortization Period Commencement Date, zero, and (ii) after the Amortization Period Commencement Date, the Invested Amount after the application of Principal Collections on such Business Day.

"Prior Tax Year" shall have the meaning specified in Section 10(k) of this Series Supplement.

"Program Support Provider Agreement" has the meaning given to such term in the Security Purchase Agreement.

"Program Support Provider" has the meaning given to such term in the Security Purchase Agreement.

"Purchaser" shall mean a Conduit Purchaser or an Alternate Purchaser, as the context requires.

"Purchaser Group" shall have the meaning given to such term in the Security Purchase Agreement.

"Purchaser Group Percentage" shall mean (a) 37.5% with respect to Kitty Hawk Funding Corporation and the related Purchaser Group, (b) 37.5% with respect to Falcon Asset Securitization Corporation and the related Purchaser Group and (c) 25% with respect to Four Winds Funding Corporation and the related Purchaser Group.

"Qualified Substitute Arrangement" shall have the meaning specified in Section 3A(d) of this Series Supplement.

"Rating Agency" shall mean Moody's.

"Redirected Class B Principal Collections" shall have the meaning specified in subsection 4.14(c) of the Agreement.

"Redirected Class C Principal Collections" shall have the meaning specified in subsection 4.14(b) of the Agreement.

"Redirected Class D Principal Collections" shall have the meaning specified in subsection 4.14(a) of the Agreement.

"Redirected Principal Collections" shall mean the sum of Redirected Class B Principal Collections, Redirected Class C Principal Collections and Redirected Class D Principal Collections.

"Replacement Interest Rate Cap" shall mean one or more Interest Rate Caps, which in combination with all other Interest Rate Caps then in effect, after giving effect to any planned cancellations of any presently outstanding Interest Rate Caps, satisfies the Transferor's covenant contained in Section 3A of this Series Supplement to maintain Interest Rate Caps.

"Required Amount" shall have the meaning specified in Section 4.10 of the Agreement.

"Required Senior Securityholders" shall mean the Holders of Senior Securities evidencing undivided interests aggregating more than 50% of the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount.

"Revolving Period" shall mean the period from and including the Closing Date to, but not including, the Amortization Period Commencement Date.

"Revolving Receivables Reserve Account" shall have the meaning specified in Section 4.18 of the Agreement.

"Scheduled Series 1998-3 Termination Date" shall mean the first day of the February 2006 Monthly Period unless a different date shall be set forth in any Extension Notice.

"Security Purchase Agreement" shall mean the Security Purchase Agreement, dated as of July 30, 1998, by and among the Transferor, the Conduit Purchasers, the financial institutions from time to time parties thereto as Alternate Purchasers, the Managing Agents and the Administrative Agent, as the same may from time to time be amended, restated, modified and in effect.

"Senior Security" shall mean a Class A Security, Class B Security or Class C Security.

"Senior Securityholder" means the holder of record of any Class A Security, Class B Security or Class C Security.

"Series Default Amount" shall mean, with respect to

each Business Day, an amount equal to the product of the Default Amount identified since the prior reporting date and the Floating Percentage applicable for such Business Day.

"Series 1998-3" shall mean the Series of the Fingerhut Master Trust represented by the Series 1998-3 Securities.

"Series 1998-3 Percentage" shall mean, on any date of determination, the percentage equivalent of a fraction the numerator of which is the Invested Amount and the denominator of which is the sum of the Invested Amounts relating to all Series then outstanding.

"Series 1998-3 Securities" shall mean the Class A Securities, the Class B Securities, the Class C Securities and the Class D Securities.

"Series 1998-3 Securityholder" shall mean the holder of record of any Series 1998-3 Security.

"Series 1998-3 Securityholders' Interest" shall have the meaning specified in Section 4.4 of the Agreement.

"Series 1998-3 Termination Date" shall mean the earlier to occur of (i) the day after the Distribution Date on which the Series 1998-3 Securities are paid in full or (ii) the Scheduled Series 1998-3 Termination Date.

"Series Pay Out Event" shall have the meaning specified in Section 8 of this Series Supplement.

"Series Servicing Fee Percentage" shall mean 2.00% per annum.

"Servicing Fee" shall mean, for any Business Day, an amount equal to the product of (i) a fraction the numerator of which is the actual number of days from but excluding the next preceding Business Day to and including such Business Day and the denominator of which is 365 or 366, as the case may be, (ii) the applicable Series Servicing Fee Percentage and (iii) the Adjusted Invested Amount on such Business Day after giving effect to all transactions on such Business Day.

"Shared Principal Collections" shall mean, as the context requires, either (A) the sum of (x) the amount of Principal Collections for any Business Day allocated to the Series 1998-3 Securities which, in accordance with subsections 4.9(b) and 4.12(g) of the Agreement, may be applied in accordance with Section 4.3(e) of the Agreement, and (y) the amounts treated as Shared Principal Collections pursuant to subsections 4.9(a)(v), (vi), (vii), (viii), (ix) and (x) of the Agreement, (B) the amounts allocated to the Investor Securities of other Series which the applicable Series Supplements for such Series specify are to be treated as "Shared Principal Collections" or (C) the amounts specified in any Participation Supplement to be treated as "Shared Principal Collections" and which may be applied to cover Principal Shortfalls with respect to the Series 1998-3 Securities.

"Specified Class C Reserve Amount" shall mean zero prior to the occurrence of a Class C Trigger Event and thereafter the amount, if any, which if added to the numerator of the Target Percentage would cause such percentage to be equal to 5%.

"Specified Revolving Receivables Reserve Amount" shall mean, on any date of determination, an amount equal to the product of (x) the Floating Percentage on such date and (y) 1% of the aggregate amount of Principal Receivables which are Revolving Receivables on such date; provided, however, that such percentage may be reduced at the option of the Transferor at any time if the Rating Agency Condition shall have been satisfied with respect thereto.

"Specified Termination Date" shall mean July 29, 1999, or such later date to which the Specified Termination Date may be extended pursuant to Section 2.05 of the Security Purchase Agreement.

"Stated Class B Amount" shall mean on any date of determination the greater of (i) zero and (ii) a number rounded to the nearest dollar obtained by multiplying the Class A Invested Amount by a fraction the numerator of which is 2 and the denominator of which is 74; provided, however, that in no event shall the Stated Class B Amount exceed the Class B Maximum Invested Amount.

"Stated Class C Amount" shall mean on any date of determination the greater of (i) zero and (ii) a number rounded to the nearest dollar obtained by multiplying the sum of the Class A Invested Amount and the Class B Invested Amount by a fraction the numerator of which is 12 and the denominator of which is 76; provided, however, that in no event shall the Stated Class C Amount exceed the Class C Maximum Invested Amount.

"Stated Class D Amount" shall mean on any date of determination the greater of (i) zero and (ii) a number rounded to the nearest dollar obtained by multiplying the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount by a fraction the numerator of which is 12 and the denominator of which is 88; provided, however, that in no event shall the Stated Class D Amount exceed the Class D Maximum Invested Amount; and provided further that during any Early Amortization Period the Stated Class D Amount shall be equal to the Stated Class D Amount immediately preceding the commencement of the Early Amortization Period; and provided further, that on and after the Amortization Period Commencement Date, the Stated Class D Amount shall not be less than 3% (or such lesser percentage specified by Transferor which shall not be less than zero if the Trustee shall have received written confirmation from Moody's that the reduction of such percentage shall not cause Moody's to lower or withdraw its then current rating of the Class A Securities, the Class B Securities or the Class C Securities) of the Invested Amount on the last day of the Revolving Period.

"Target Percentage" shall have the meaning specified in Section 4.15 of the Agreement.

"Targeted Holder" shall mean (i) each holder of a right to receive interest or principal with respect to investor securities (or other interests in the Trust), including the Senior Securities and any Participations, other than securities (or other such interests) with respect to which an opinion is rendered that such securities (or other such interests) will be treated as debt for Federal income tax purposes and (ii) any holder of a right to receive any amount in respect of the Transferor Interest; provided, that any person holding more than one interest each of which would cause such person to be a Targeted Holder shall be treated as a single Targeted Holder.

"Transfer" shall have the meaning specified in Section 10(i) of this Series Supplement.

"Transferor Cap Proceeds Percentage" shall mean on any Business Day a fraction equal to one minus a fraction, the numerator of which is the weighted average ABC Invested Amount for the preceding Monthly Period based on the ABC Invested Amount outstanding on each Business Day during such Monthly Period and the denominator of which is the weighted average Aggregate Interest Rate Caps Notional Amount for the preceding Monthly Period based on the Aggregate Interest Rate Caps Notional Amount outstanding on each Business Day during such Monthly Period.

"Transferor Finance Charge Collections" shall mean on any Business Day the product of (a) the Finance Charge Collections for such Business Day, (b) the Transferor Percentage

and (c) the Series 1998-3 Percentage.

"Transferor Retained Securities" shall mean Investor Securities of any Series, including the Class D Securities, which the Transferor retains, but only to the extent that and for so long as the Transferor is the Holder of such Securities.

"Withholding Event" shall have the meaning specified in Section 10(k) of this Series Supplement.

"Withholding Tax" shall have the meaning specified in Section 10(k) of this Series Supplement.

SECTION 3 Reassignment Terms. The Series 1998-3 Securities shall be subject to termination by the Transferor at its option, in accordance with the terms specified in subsection 12.2(a) of the Agreement, on any Business Day on or after the Business Day on which the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount is reduced to an amount less than or equal to 10% of the sum of the highest Class A Invested Amount, the highest Class B Invested Amount and the highest Class C Invested Amount during the Revolving Period. The deposit required in connection with any such termination and final distribution shall be equal to the sum of the unpaid Class A Invested Amount, the unpaid Class B Invested Amount and the unpaid Class C Invested Amount plus accrued and unpaid interest on the Series 1998-3 Securities through the day prior to the Business Day on which the final distribution occurs, in each case after giving effect to any payments on such date.

SECTION 3A. Conveyance of Interest in Interest Rate Cap; Cap Proceeds Account. (a) The Transferor hereby covenants and agrees that, on or prior to the issuance of any of the Series 1998-3 Securities, it shall obtain, and at all times prior to the close of business on the Series 1998-3 Termination Date maintain, one or more Interest Rate Caps whose notional amounts singly or taken as a group equal or exceed the Aggregate ABC Principal Amount. The Transferor hereby assigns, sets-over, conveys, pledges and grants a security interest and lien (free and clear of all other Liens) to the Trustee for the benefit of the Series 1998-3 Securityholders, in all of the Transferor's right, title and interest now existing or hereafter arising in and to the Cap Agreements and the Interest Rate Caps arising thereunder, together with the Cap Proceeds Account and all other proceeds thereof, as collateral security for the benefit of the Series 1998-3 Securityholders. The Transferor hereby further agrees to execute all such instruments, documents and financing statements and take all such further action requested by the Trustee to evidence and perfect the assignment of the Cap Agreements and the Interest Rate Caps pursuant to this Section 3A. The Transferor agrees that each Interest Rate Cap shall provide for payments to the Trustee and that the Trust's interest in respect of such payments shall be deposited into the Cap Proceeds Account.

(b) The Trustee, for the benefit of the Series 1998-3 Securityholders, shall establish and maintain with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Securityholders, a certain segregated trust account (the "Cap Proceeds Account"). The amounts paid to the Trustee pursuant to the Interest Rate Caps or any Qualified Substitute Arrangement on any settlement date set forth therein (a "Cap Settlement Date") shall be deposited by the Trustee in the Cap Proceeds Account, and the Transferor Cap Proceeds Percentage of such amounts, on such Cap Settlement Date or promptly thereafter, shall be paid from the Cap Proceeds Account to the Transferor. Any amounts paid pursuant to the Interest Rate Caps or any Qualified Substitute Arrangement on the first Business Day of any Monthly Period shall be treated for all purposes herein, including application in accordance with Section 4.9 of the Agreement, as if they had been received on the last Business Day of the preceding Monthly Period. Funds in the Cap Proceeds Account shall be invested at the direction of the

Servicer, 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.

(c) In the event that the Cap Provider defaults in its obligation to make a payment to the Trustee under one or more Cap Agreements on any Cap Settlement Date, the Trustee shall make a demand on such Cap Provider, or any guarantor, if applicable, demanding payment by 12:30 p.m., New York time, on such date. The Trustee shall give notice to the Securityholders upon the continuing failure by any Cap Provider to perform its obligation during the two Business Days following a demand made by the Trustee on such Cap Provider, and shall take such action with respect to such continuing failure directed to be taken by the Securityholders.

(d) In the event that the senior unsecured debt rating of a Cap Provider is withdrawn or reduced below Aa2 by Moody's, then within 30 days after receiving notice of such decline in the creditworthiness of the Cap Provider as determined by the Rating Agency, either (x) the Cap Provider, with the prior written confirmation of the Rating Agency that such arrangement will not result in the reduction or withdrawal of the rating of the Class A Securities, the Class B Securities or the Class C Securities, will enter into an arrangement the purpose of which shall be to assure performance by the Cap Provider of its obligations under the Interest Rate Cap; or (y) the Servicer shall at its option either (i) with the prior written confirmation of the Rating Agency that such action will not result in a reduction or withdrawal of the rating of the Class A Securities, the Class B Securities or the Class C Securities, cause the Cap Provider to pledge securities in the manner provided by applicable law, which shall be held by the Trustee or its agent free and clear of the Lien of any third party, in a manner conferring on the Trustee a perfected first Lien in such securities securing the Cap Provider's performance of its obligations under the applicable Interest Rate Cap, or (ii) provided that a Replacement Interest Rate Cap or Qualified Substitute Arrangement meeting the requirements of Section 3A(e) has been obtained, direct the Trustee (A) to provide written notice to the Cap Provider of its intention to terminate the applicable Interest Rate Cap within such 30-day period and (B) to terminate the applicable Interest Rate Cap within such 30-day period, to request the payment to the Trustee of all amounts due to the Trust under the applicable Interest Rate Cap through the termination date and resulting from the termination of such Interest Rate Cap and to deposit any such amounts so received, on the day of receipt, to the Cap Proceeds Account to be used first to obtain a Replacement Interest Rate Cap or Qualified Substitute Arrangement meeting the requirements of subsection 3A(e)(ii) and then as Available Series 1998-3 Finance Charge Collections, or (iii) establish any other arrangement (including an arrangement or arrangements in addition to or in substitution for any prior arrangement made in accordance with the provisions of this Section 3A(d)) satisfactory to the Rating Agency such that the Rating Agency will not reduce or withdraw the rating of the Class A Securities, the Class B Securities or the Class C Securities (a "Qualified Substitute Arrangement"); provided, however, that in the event at any time any alternative arrangement established pursuant to clause (x) or (y)(i) or (y)(iii) above shall cease to be satisfactory to the Rating Agency then the provisions of this Section 3A(d) shall again be applied and in connection therewith the 30-day period referred to above shall commence on the date the Servicer receives notice of such cessation or termination, as the case may be.

(e) Unless an alternative arrangement pursuant to clause (x) or (y)(i) of Section 3A(d) is being established, the Servicer shall use its best efforts to obtain a Replacement Interest Rate Cap or Qualified Substitute Arrangement meeting the requirements of this subsection 3A(e) during the 30-day period

referred to in subsection 3A(d) from the funds received from the termination of the applicable Interest Rate Cap referred to in subsection 3A(d); provided, that the Servicer shall not be required to use its own funds to obtain a Replacement Interest Rate Cap or Qualified Substitute Arrangement. The Trustee shall not terminate the Interest Rate Cap unless, prior to the expiration of the 30-day period referred to in said Section 3A(d), the Servicer delivers to the Trustee (i) a Replacement Interest Rate Cap or Qualified Substitute Arrangement and (ii) a letter from the Rating Agency confirming that the termination of the Interest Rate Cap and its replacement with such Replacement Interest Rate Cap or Qualified Substitute Arrangement will not adversely affect its rating of the Class A Securities, the Class B Securities or the Class C Securities.

(f) The Servicer shall notify the Trustee, the Rating Agency and each Managing Agent within five Business Days after obtaining knowledge that the senior unsecured debt rating of the Cap Provider has been withdrawn or reduced by Moody's.

(g) Notwithstanding the foregoing, the Servicer may at any time obtain a Replacement Interest Rate Cap, provided that the Servicer delivers to the Trustee a letter from the Rating Agency confirming that the termination of the then current Interest Rate Cap and its replacement with such Replacement Interest Rate Cap will not adversely affect its rating of the Class A Securities, the Class B Securities or the Class C Securities.

(h) The Trustee, on behalf of the Securityholders, upon notification from the Servicer, shall sell all or a portion of the Interest Rate Caps subject to the following conditions having been met:

(x) the Aggregate Interest Rate Caps Notional Amount after giving effect to such sale shall equal or exceed the Aggregate ABC Principal Amount as of the date of such sale after giving effect to all payments and allocations made pursuant to this Agreement;

(y) such sale will not result in a downgrading or withdrawal of the then current rating on any Class of the Securities by the Rating Agencies; and

(z) the minimum notional amount denomination of any Interest Rate Cap to be sold is \$500,000.

The Servicer shall have the duty of obtaining a fair market value price for the sale of the Trust's rights under any Interest Rate Cap, notifying the Trustee of prospective purchasers and bids, and selecting the purchaser of such Interest Rate Cap. The Trustee upon receipt of the purchase price in the Collection Account shall execute all documentation necessary to effect the transfer of the Trust's rights under the Interest Rate Cap and to release the Lien of the Trustee on the Interest Rate Cap and proceeds thereof.

Funds deposited in the Collection Account in respect of the sale of all or a portion of an Interest Rate Cap shall be applied as Principal Collections allocable to Series 1998-3 and shall be applied on the next Distribution Date in accordance with subsections 4.7(a), (b) and (c) and 4.9(b) and (c).

SECTION 4 Delivery and Payment for the Series 1998-3 Securities. The Transferor shall execute and deliver the Series 1998-3 Securities to the Trustee for authentication in accordance with Section 6.1 of the Agreement. The Trustee shall deliver the Series 1998-3 Securities to or upon the order of the Transferor when authenticated in accordance with Section 6.2 of the Agreement.

SECTION 5 Form of Delivery of Series 1998-3 Securities. The Class A Securities, the Class B Securities, the Class C

Securities and the Class D Securities shall be delivered as Registered Securities as provided in Section 6.1 of the Agreement.

SECTION 6 Article IV of Agreement. Sections 4.1, 4.2 and 4.3 of the Agreement shall read in their entirety as provided in the Agreement. Article IV of the Agreement (except for Sections 4.1, 4.2 and 4.3 thereof) shall read in its entirety as follows and shall be applicable only to the Series 1998-3 Securities:

ARTICLE IV
RIGHTS OF SECURITYHOLDERS AND
ALLOCATION AND APPLICATION OF COLLECTIONS

Section 4.4 Rights of Securityholders. The Series 1998-3 Securities shall represent undivided interests in the Trust, including the right to receive, to the extent necessary to make the required payments with respect to such Series 1998-3 Securities at the times and in the amounts specified in this Agreement, (a) the Floating Percentage and the Fixed/Floating Percentage (as applicable from time to time) of Collections available in the Collection Account, (b) funds allocable to the Series 1998-3 Securities on deposit in the Excess Funding Account and (c) funds on deposit in the Interest Funding Account, the Principal Account, the Distribution Account, the Cap Proceeds Account, the Payment Reserve Account, the Class C Reserve Account, the Revolving Receivables Reserve Account, and the Principal Funding Account (for such Series, the "Series 1998-3 Securityholders' Interest"). The Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount shall be subordinated to the Class A Securities; the Class C Invested Amount and the Class D Invested Amount shall be subordinated to the Class B Securities; and the Class D Invested Amount shall be subordinated to the Class C Securities, in each case to the extent specified in this Article IV.

Section 4.5 Collections and Allocation; Payments on Exchangeable Transferor Security.

Collections and Allocations. The Servicer will apply or will instruct the Trustee to apply all funds on deposit in the Collection Account and the Excess Funding Account allocable to the Series 1998-3 Securities, and all funds on deposit in the Interest Funding Account, the Principal Account, the Cap Proceeds Account, the Distribution Account, the Payment Reserve Account, the Class C Reserve Account, the Revolving Receivables Reserve Account and the Principal Funding Account maintained for this Series, as described in this Article IV. On each Business Day, (i) the amount of Finance Charge Collections available in the Collection Account allocable to the Series 1998-3 Securities shall be determined by multiplying the aggregate amount of such Finance Charge Collections by (x) prior to the Pay Out Commencement Date, the Floating Percentage and (y) on and after the Pay Out Commencement Date, the Fixed/Floating Percentage, (ii) the amount of Principal Collections available in the Collection Account allocable to the Series 1998-3 Securities shall be determined by multiplying the aggregate amount of such Principal Collections by (x) during the Revolving Period, the Floating Percentage and (y) during any Amortization Period, the Fixed/Floating Percentage, and (iii) the Default Amount on such Business Day allocable to the Series 1998-3 Securities shall be determined by multiplying the Default Amount by the Floating Percentage.

Payments to the Holder of the Exchangeable Transferor Security. On each Business Day, the Servicer shall allocate and pay Collections in accordance with the Daily Report to the Holder of the Exchangeable Transferor Security in accordance with subsection 4.3(b) of the Agreement; provided, however, that such amounts shall be applied in accordance with Section 4.10 hereof to the extent specified therein.

Notwithstanding the foregoing and any other provisions of this Series Supplement, amounts payable to the Transferor shall instead be deposited in the Excess Funding Account to the extent necessary to prevent the Transferor Interest from being less than the Minimum Transferor Interest.

(c) Investment Earnings. Notwithstanding Section 4.2(e) of the Agreement, amounts on deposit in the Interest Funding Account and the Principal Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the next Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be applied on each Business Day as Available Series 1998-3 Finance Charge Collections.

Section 4.6 Determination of Interest for the Series 1998-3 Securities. The amount of interest (the "Class A Interest") allocable to the Class A Securities with respect to any Business Day shall be an amount equal to the product of (i) the Class A Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class A Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day.

On each Business Day, the Servicer shall determine an amount (the "Class A Interest Shortfall") equal to the excess, if any, of (x) the Class A Interest for such Business Day plus the Class A Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the Class A Securityholders in respect thereof on such Business Day. The Class A Interest Shortfall shall initially be zero.

The amount of interest (the "Class B Interest") allocable to the Class B Securities with respect to any Business Day shall be an amount equal to the product of (i) the Class B Interest Rate, (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class B Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day.

On each Business Day, the Servicer shall determine an amount (the "Class B Interest Shortfall") equal to the excess, if any, of (x) the Class B Interest for such Business Day plus the Class B Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the Class B Securityholders in respect thereof on such Business Day. The Class B Interest Shortfall shall initially be zero.

The amount of interest (the "Class C Interest") allocable to the Class C Securities with respect to any Business Day shall be an amount equal to the product of (i) the Class C Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class C Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day.

On each Business Day, the Servicer shall determine an amount (the "Class C Interest Shortfall") equal to the excess, if any, of (x) the Class C Interest for such Business Day plus the Class C Interest Shortfall for the preceding Business Day over (y) the amount available to be paid to the Class C Securityholders in respect thereof on such Business Day. The Class C Interest Shortfall shall initially be zero.

Section 4.7 Determination of Principal Amounts.
The amount of principal (the "Class A Principal") distributable from the Distribution Account with respect to the Class A Securities shall be the following:

On each Business Day with respect to the Revolving Period an amount equal to the Class A Percentage of the amounts deposited into the Principal Account from the Principal Funding Account pursuant to Section 9A of this Series Supplement;

On each Business Day designated by the Transferor during the Amortization Period an amount equal to the amount designated by the Transferor pursuant to subsection 4.12(f) of the Agreement; and

With respect to each Distribution Date during the Amortization Period an amount equal to (i) the Available Series 1998-3 Principal Collections on deposit in the Principal Account pursuant to subsection 4.9(c) of the Agreement with respect to each Business Day in the related Monthly Period less (ii) the aggregate amount withdrawn from the Principal Account for payment to the Class A Securityholders pursuant to subsection 4.12(f) of the Agreement with respect to funds deposited in the Principal Account pursuant to subsection 4.9(c) of the Agreement during the related Monthly Period;

provided, however, that with respect to any Business Day, Class A Principal may not exceed the Class A Invested Amount; provided, further, that with respect to the Scheduled Series 1998-3 Termination Date, the Class A Principal shall be an amount equal to the Class A Invested Amount.

The amount of principal (the "Class B Principal") distributable from the Distribution Account with respect to the Class B Securities shall be the following:

On each Business Day with respect to the Revolving Period an amount equal the lesser of (i) the excess of the Class B Invested Amount over the Stated Class B Amount on such Business Day after taking into account all distributions with respect to the Class A Invested Amount on such Business Day and (ii) the Class B Percentage of the amounts deposited into the Principal Account from the Principal Funding Account pursuant to Section 9A of this Series Supplement, to be distributed only after any such distributions with respect to the Class A Invested Amount;

On each Business Day designated by the Transferor on and after the Class B Principal Payment Commencement Date an amount equal to the amount designated by the Transferor pursuant to subsection 4.12(f) of the Agreement after application thereof to Class A Principal; and

With respect to each Distribution Date beginning with the Class B Principal Payment Commencement Date, an amount equal to (i) the Available Series 1998-3 Principal Collections remaining on deposit in the Principal Account pursuant to subsection 4.9(c) of the Agreement with respect to each Business Day in the related Monthly Period after application thereof to Class A Principal less (ii) the aggregate amount withdrawn from the Principal Account for payment to the Class B Securityholders pursuant to subsection 4.12(f) of the Agreement with respect to funds deposited in the Principal Account pursuant to subsection 4.9(c) of the Agreement during the related Monthly Period;

provided, however, that with respect to any Distribution Date, Class B Principal may not exceed the Class B Invested Amount; provided, further, that with respect to the Scheduled Series 1998-3 Termination Date, the Class B Principal shall be an amount equal to the Class B Invested Amount.

The amount of principal (the "Class C Principal") distributable from the Distribution Account with respect to the

Class C Securities shall be the following:

On each Business Day with respect to the Revolving Period an amount equal the lesser of (i) the excess of the Class C Invested Amount over the Stated Class C Amount on such Business Day after taking into account all distributions with respect to the Class A Invested Amount and the Class B Invested Amount on such Business Day and (ii) the Class C Percentage of the amounts deposited into the Principal Account from the Principal Funding Account pursuant to Section 9A of this Series Supplement, to be distributed only after any such distributions with respect to the Class A Invested Amount and the Class B Invested Amount;

On each Business Day designated by the Transferor on and after the Class C Principal Payment Commencement Date an amount equal to the amount designated by the Transferor pursuant to subsection 4.12(f) of the Agreement after application thereof to Class A Principal and Class B Principal; and

With respect to each Distribution Date, beginning with the Class C Principal Payment Commencement Date, an amount equal to (i) the Available Series 1998-3 Principal Collections remaining on deposit in the Principal Account pursuant to subsection 4.9(c) of the Agreement with respect to each Business Day in the related Monthly Period after application thereof to Class A Principal and Class B Principal less (ii) the aggregate amount withdrawn from the Principal Account for payment to the Class C Securityholders pursuant to subsection 4.12(f) of the Agreement with respect to funds deposited in the Principal Account pursuant to subsection 4.9(c) of the Agreement during the related Monthly Period;

provided, however, that with respect to any Distribution Date, Class C Principal may not exceed the Class C Invested Amount; provided, further, that with respect to the Scheduled Series 1998-3 Termination Date, the Class C Principal shall be an amount equal to the Class C Invested Amount.

The amount of principal (the "Class D Principal") distributable from the Distribution Account with respect to the Class D Securities shall be the following:

On each Business Day during the Revolving Period an amount equal the lesser of (i) the excess of the Class D Invested Amount over the Stated Class D Amount on such Business Day after taking into account all distributions with respect to the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount on such Business Day and (ii) the amounts deposited into the Principal Account from the Principal Funding Account after any such distributions in respect of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount;

On each Business Day designated by the Transferor on and after the Class D Principal Payment Commencement Date an amount equal to the amount designated by the Transferor pursuant to subsection 4.12(f) of the Agreement after application thereof to Class A Principal, Class B Principal and Class C Principal; and

With respect to each Distribution Date beginning with the Class D Principal Payment Commencement Date, on each Business Day, an amount equal to (i) the Available Series 1998-3 Principal Collections remaining on deposit in the Principal Account pursuant to subsection 4.9(c) of the Agreement with respect to each Business Day in the related Monthly Period after application thereof to Class A Principal, Class B Principal and Class C Principal less (ii) the aggregate amount withdrawn from the Principal Account for payment to the Class D Securityholders pursuant to subsection 4.12(f) of the Agreement with respect to funds deposited in the Principal Account pursuant to subsection 4.9(c) of the Agreement with respect to the related Monthly Period;

provided, however, that with respect to the Scheduled Series 1998-3 Termination Date, the Class D Principal shall be an amount equal to the Class D Invested Amount; provided further, that on any Business Day during any period other than an Early Amortization Period, the Transferor may designate that an amount up to the excess of the Class D Invested Amount over the Stated Class D Amount on such day after taking into account all adjustments of the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount on such day shall be subtracted from the Class D Invested Amount and added to the Transferor Interest.

Section 4.8 Shared Principal Collections. Shared Principal Collections allocated to Available Series 1998-3 Principal Collections for the Series 1998-3 Securities on any Business Day and to be treated as Available Series 1998-3 Principal Collections or applied pursuant to subsections 4.9(b) and 4.12(g) for any Business Day shall mean the amount specified in subsection 4.3(e) of the Agreement, including the amount designated, at the option of the Transferor, to be applied as Shared principal Collections for the benefit of the Series 1998-3 Securities.

Section 4.9 Application of Funds on Deposit in the Collection Account for the Securities. On each Business Day, the Servicer shall deliver to the Trustee a Daily Report in which it shall instruct the Trustee to withdraw, and the Trustee, acting in accordance with such instructions, shall withdraw from the appropriate accounts, to the extent of the sum of (s) the amount of Finance Charge Collections allocated to the Series 1998-3 Securities pursuant to subsection 4.5(a) of the Agreement, (t) the investment earnings on amounts on deposit in the Class C Reserve Account pursuant to subsection 4.16(c), (u) the investment earnings on amounts on deposit in the Payment Reserve Account pursuant to subsection 4.17(d), (v) the investment earnings on amounts on deposit in the Revolving Receivables Reserve Account pursuant to subsection 4.18(d), (w) the investment earnings on amounts on deposit in the Principal Funding Account pursuant to subsection 4.19(c), (x) the investment earnings on amounts on deposit in the Interest Funding Account and the Principal Account pursuant to subsection 4.5(c), (y) amounts on deposit in the Payment Reserve Account, if any, if and to the extent so designated by the Transferor and (z) the Cap Receipt Amount, if any, for such Business Day (collectively, the "Available Series 1998-3 Finance Charge Collections"); provided, that with respect to any Business Day, amounts applied pursuant to Sections 4.10 and 4.14 and subsection 4.16(b) of the Agreement shall be applied as if such amounts were Available Series 1998-3 Finance Charge Collections. The Trustee shall apply Available Series 1998-3 Finance Charge Collections and, with respect to clause (ix) below, amounts on deposit in the Class C Reserve Account to the extent of the aggregate amount of Class C Charge-Offs resulting from unpaid Adjustment Payments, if any, in the priority set forth below:

Class A Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account, an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections and (y) the sum of (A) the Class A Interest for such Business Day, (B) the Class A Interest Shortfall for such Business Day and (C) accrued and unpaid Class A Funding Interest as of such Business Day; provided, however, that in the event a Pay-Out Event has occurred and is continuing, the amount deposited in the Interest Funding Account pursuant to this subsection 4.9(a)(i) shall not exceed the sum of (a) the Capped Class A Interest for such Business Day and (b) the Capped Class A Interest Shortfall for such Business Day.

Class B Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with

instructions from the Servicer, shall deposit into the Interest Funding Account, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the application pursuant to subsection 4.9(a)(i) and (y) the sum of (A) the Class B Interest for such Business Day, (B) the Class B Interest Shortfall for such Business Day and (C) accrued and unpaid Class B Funding Interest as of such Business Day; provided, however, that in the event a Pay-Out Event has occurred and is continuing, the amount deposited in the Interest Funding Account pursuant to this subsection 4.9(a)(ii) shall not exceed the sum of (a) the Capped Class B Interest for such Business Day and (b) the Capped Class B Interest Shortfall for such Business Day.

Class C Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the application pursuant to subsections 4.9(a)(i) and (ii) and (y) the sum of (A) the Class C Interest for such Business Day, (B) the Class C Interest Shortfall for such Business Day and (C) accrued and unpaid Class C Funding Interest as of such Business Day; provided, however, that in the event a Pay-Out Event has occurred and is continuing, the amount deposited in the Interest Funding Account pursuant to this subsection 4.9(a)(iii) shall not exceed the sum of (a) the Capped Class C Interest for such Business Day and (b) the Capped Class C Interest Shortfall for such Business Day.

Servicing Fee. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall distribute to the Servicer, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iii) and (y) the Servicing Fee for such Business Day plus any Servicing Fees due with respect to any prior Business Day but not distributed to the Servicer.

Series Default Amount. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (iv) and (y) the sum of (1) the aggregate Series Default Amount for such Business Day plus (2) the unpaid Series Default Amount for each previous Business Day during such Monthly Period, such amount to be (A) treated as Shared Principal Collections during the Revolving Period and (B) treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Adjustment Payment Shortfalls. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (v) and (y) an amount equal to the Series 1998-3 Percentage of any Adjustment Payment which the Transferor is required but fails to make pursuant to subsection 3.8(a) of the Agreement, such amount, (A) to be treated as Shared Principal Collections during the Revolving Period and (B) to be treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Reimbursement of Class A Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vi) and (y) the unreimbursed Class A Charge-Offs, if any; such amount will be applied to reimburse Class A Charge-Offs, and will be treated as Shared Principal

Collections during the Revolving Period, and will be treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Reimbursement of Class B Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (vii) and (y) the unreimbursed amount by which the Class B Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class B Invested Amount, if any, such amount, (i) to be treated as Shared Principal Collections during the Revolving Period, and (ii) to be treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Reimbursement of Class C Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply, an amount equal to the lesser of (x) the sum of (A) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (viii) and (B) any amounts on deposit in the Class C Reserve Account to the extent of the aggregate amount of Class C Charge-Offs resulting from unpaid Adjustment Payments, if any, and (y) the unreimbursed amount by which the Class C Invested Amount has been reduced on prior Business Days pursuant to clauses (c) and (d) of the definition of Class C Invested Amount, if any, such amount, (i) to be treated as Shared Principal Collections during the Revolving Period, and (ii) to be treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Reimbursement of Class D Charge-Offs. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall apply an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (ix) and (y) the unreimbursed amount by which the Class D Invested Amount has been reduced on prior Business Days pursuant to clauses (d) and (e) of the definition of Class D Invested Amount, if any, such amount (A) to be treated as Shared Principal Collections during the Revolving Period and (B) to be treated as Available Series 1998-3 Principal Collections during the Amortization Period.

Class C Reserve Account. On each Business Day following the occurrence of a Class C Trigger Event, the Trustee acting in accordance with instructions from the Servicer, shall deposit in the Class C Reserve Account an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (x) and (y) the amount by which the Specified Class C Reserve Amount exceeds the amount on deposit in the Class C Reserve Account and deposit such amount, if any, into the Class C Reserve Account.

Facility Unused Fees. On each Business Day, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution on the next Distribution Date to the Administrative Agent for the benefit of the Senior Securityholders, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xi) and (y) the sum of (A) the Facility Unused Fee for such Business Day and (B) the Facility Unused Fee accrued but not deposited into the Interest Funding Account with respect to any prior Business Day.

Excess Class A Interest. In the event a Pay-Out Event has occurred and is continuing, on each Business Day during a Monthly Period, the Trustee, acting in accordance with

instructions from the Servicer, shall deposit into the Interest Funding Account an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xii) and (y) the excess of (A) the sum of the Class A Interest for such Business Day and the Class A Interest Shortfall for such Business Day over (B) the amount applied pursuant to subsection 4.9(a)(i) hereof for such Business Day.

Excess Class B Interest. In the event a Pay-Out Event has occurred and is continuing, on each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiii) and (y) the excess of (A) the sum of the Class B Interest for such Business Day and the Class B Interest Shortfall for such Business Day over (B) the amount applied pursuant to subsection 4.9(a)(ii) for such Business Day.

Excess Class C Interest. In the event a Pay-Out Event has occurred and is continuing, on each Business Day during a Monthly Period, the Trustee, acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xiv) and (y) the excess of (A) the sum of the Class C Interest for such Business Day and the Class C Interest Shortfall for such Business Day over (B) the amount applied pursuant to subsection 4.9(a)(iii) for such Business Day.

Increased Costs. On each Business Day, the Trustee acting in accordance with instructions from the Servicer, shall deposit into the Interest Funding Account for distribution to the Administrative Agent for the benefit of the Senior Securityholders, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xv) and (y) the amount of Increased Costs for such Business Day and the Increased Costs accrued but not distributed to the Administrative Agent with respect to any prior Business Day.

Class D Interest. On each Business Day during a Monthly Period, the Trustee, acting in accordance with the instructions from the Servicer, shall deposit in the Interest Funding Account for distribution to the Class D Securityholders on the next Distribution Date, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xvi) and (y) the sum of (1) the amount of interest which has accrued with respect to the Class D Securities on the Class D Outstanding Principal Amount at the applicable Class D Interest Rate but which has not been deposited into the Interest Funding Account on any prior Business Day or paid to the Class D Securityholders and (2) any additional interest (to the extent permitted by applicable law) at the Class D Interest Rate on interest that was payable during a prior Monthly Period pursuant to this subsection but was not deposited in the Interest Funding Account or paid to the Class D Securityholders.

Revolving Receivables Reserve Account. On each Business Day, the Trustee acting in accordance with instructions from the Servicer, shall deposit into the Revolving Receivables Reserve Account, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xvii) and (y) an amount equal to the excess, if any, of the Specified Revolving Receivables Reserve Amount on such date over the amount then on deposit in the Revolving

Receivable Reserve Account.

Payment Reserve Account. On each Business Day, the Trustee acting in accordance with instructions from the Servicer, shall deposit in the Payment Reserve Account, an amount equal to the lesser of (x) any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsections 4.9(a)(i) through (xviii) and (y) the amount designated by the Transferor in writing (which include facsimile transmission) in its instructions to the Trustee on such Business Day.

Excess Finance Charge Collections. Any Available Series 1998-3 Finance Charge Collections remaining after giving effect to the applications pursuant to subsection 4.9(a)(i) through (xix), shall be treated as Excess Finance Charge Collections, and the Servicer shall direct the Trustee in writing on each Business Day to first make such amounts available to pay to Securityholders of other Series to the extent of shortfalls, if any, in amounts payable to such Securityholders from Finance Charge Collections allocated to such other Series, then to pay any unpaid commercially reasonable costs and expenses of a Successor Servicer, if any, and then to reserve for (or pay when due) any taxes and related expenses anticipated by the Servicer to be payable by the Trust with respect to the related Monthly Period or prior Monthly Period and then on each Business Day to pay any remaining Excess Finance Charge Collections to the Transferor.

For each Business Day with respect to the Revolving Period, the funds on deposit in the Collection Account to the extent of the lesser of (A) the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount and (B) the sum of (x) product of (i) the Floating Percentage and (ii) the amount of Principal Collections on such Business Day (less the amount of Redirected Principal Collections on such Business Day) (such product, the "Net Revolving Principal Collections"), (y) the amount then on deposit in the Collection Account pursuant to subsection 3A(h) of this Series Supplement and (z) the amount of Shared Principal Collections allocated to the Series 1998-3 Securities in accordance with Section 4.8 on such Business Day may, at the option of the Transferor or shall, (I) if the Specified Class C Reserve Amount exceeds the amount on deposit in the Class C Reserve Account on such Business Day or (II) if the Aggregate ABC Principal Amount exceeds the Aggregate Interest Rate Caps Notional Amount on such Business Day, pursuant to instructions delivered to the Servicer and the Trustee by facsimile or other similar means of documented communication, be deposited into the Principal Funding Account and applied as provided in subsection 9A(b) of this Series Supplement. During the Revolving Period, an amount equal to the Net Revolving Principal Collections less any amount deposited to the Principal Funding Account pursuant to the immediately preceding sentence shall be treated as Shared Principal Collections and applied pursuant to the written direction of the Servicer in the Daily Report for such Business Day, as provided in Section 4.3(e) of the Agreement.

For each Business Day on and after the Amortization Period Commencement Date, pursuant to the written direction of the Servicer in the Daily Report for such Business Day, an amount (not in excess of the Invested Amount) equal to the Available Series 1998-3 Principal Collections for such Business Day will be deposited into the Principal Account.

Section 4.10 Coverage of Required Amount for the Series 1998-3 Securities. Coverage of Negative Carry Amount. To the extent that any amounts are on deposit in the Excess Funding Account on any Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-3 Finance Charge Collections in subsections 4.9(a)(i) through (xvii), Transferor Finance Charge Collections in an amount (the "Negative Carry Amount") equal to the excess of (x) the product

of (a) the Base Rate, (b) the amounts on deposit in the Excess Funding Account and (c) the number of days elapsed since the previous Business Day divided by the actual number of days in such year over (y) the aggregate amount of all earnings since the previous Business Day available from the Cash Equivalents in which funds on deposit in the Excess Funding Account are invested.

Required Amounts from Other Series Excess Finance Charge Collections. To the extent that on any Business Day payments are being made pursuant to any of subsections 4.9(a)(i) through (xvii), respectively, and the full amount to be paid pursuant to any such subsection receiving payments on such Business Day is not paid in full on such Business Day, the Servicer shall apply, in the manner specified for application of Available Series 1998-3 Finance Charge Collections in subsections 4.9(a)(i) through (xvii), all or a portion of the Excess Finance Charge Collections from other Series with respect to such Business Day allocable to the Series 1998-3 Securities in an amount equal to the excess of the full amount to be allocated or paid pursuant to the applicable subsection over the amount applied with respect thereto from Available Series 1998-3 Finance Charge Collections and Transferor Finance Charge Collections on such Business Day (the "Required Amount"). Excess Finance Charge Collections allocated to the Series 1998-3 Securities for any Business Day shall mean an amount equal to the product of (x) Excess Finance Charge Collections available from all other Series for such Business Day and (y) a fraction, the numerator of which is the Required Amount for such Business Day and the denominator of which is the aggregate amount of shortfalls in required amounts or other amounts to be paid from Finance Charge Collections for all Series for such Business Day.

Section 4.11 Payment of Interest. On each day specified below, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw the amount on deposit in the Interest Funding Account allocable to the Series 1998-3 Securities and deposit such amount in the Distribution Account. The Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Administrative Agent for the benefit of the Senior Securityholders from the Distribution Account the amount deposited into the Interest Funding Account pursuant to subsection 4.9(a) (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b), 4.16(b) and Section 4.14 of the Agreement) in the manner set forth below.

(a) Interest Payments and Other Payments Between Distribution Dates. Pursuant to instructions from the Servicer set forth in the Daily Report for such day, on any Business Day the Trustee shall withdraw an amount on deposit in the Interest Funding Account and distribute such amount as follows:

(i) pay to the Administrative Agent for the benefit of the Class A Securityholders first the Class A Funding Shortfall, if any, for the previous Business Day, and then the portion of Class A Interest accrued with respect to Funding Periods ending on such Business Day;

(ii) pay to the Administrative Agent for the benefit of the Class B Securityholders first the Class B Funding Shortfall, if any, for the previous Business Day, and then the portion of Class B Interest accrued with respect to Funding Periods ending on such Business Day;

(iii) pay to the Administrative Agent for the benefit of the Class C Securityholders first the Class C Funding Shortfall, if any, for the previous Business Day, and then the portion of Class C Interest accrued with respect to Funding Periods ending on such Business Day; and

(iv) at the option of the Transferor, pay to the

Administrative Agent for the benefit of the Senior Securityholders, an amount equal to the portion of Increased Costs accrued and unpaid on such Business Day.

(b) Interest Payments and Other Payments on Distribution Dates. On each Transfer Date, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw the amount on deposit in the Interest Funding Account with respect to the previous Monthly Period remaining after the applications pursuant to subsection 4.11(a) and deposit such amount in the Distribution Account. On each Distribution Date, the Paying Agent shall make the following payments in accordance with Section 5.1 of the Agreement to the extent of such deposit into the Distribution Account:

(i) first, to the Administrative Agent for the benefit of the Class A Securityholders, an amount equal to the lesser of (A) the amounts on deposit in the Interest Funding Account remaining after giving effect to the payment pursuant to subsection 4.11(a) and (B) the excess of (x) the Class A Interest accrued with respect to the preceding Monthly Period and any Class A Interest Shortfalls with respect to the preceding Monthly Period over (y) the aggregate interest payments made with respect thereto pursuant to subsection 4.11(a) prior to such Distribution Date;

(ii) second, to the Administrative Agent for the benefit of the Class B Securityholders, an amount equal to the lesser of (A) the amounts on deposit in the Interest Funding Account remaining after giving effect to the payment pursuant to subsections 4.11(a) and 4.11(b)(i) and (B) the excess of (x) the Class B Interest accrued with respect to the preceding Monthly Period and any Class B Interest Shortfalls with respect to the preceding Monthly Period over (y) the aggregate interest payments made with respect thereto pursuant to subsection 4.11(a) prior to such Distribution Date;

(iii) third, to the Administrative Agent for the benefit of the Class C Securityholders, an amount equal to the lesser of (A) the amounts on deposit in the Interest Funding Account remaining after giving effect to the payment pursuant to subsections 4.11(a) and 4.11(b)(i) and (ii) and (B) the excess of (x) the Class C Interest accrued with respect to the preceding Monthly Period and any Class C Interest Shortfalls with respect to the preceding Monthly Period over (y) the aggregate interest payments made with respect thereto pursuant to subsection 4.11(a) prior to such Distribution Date;

(iv) fourth, to the Administrative Agent for the benefit of the Senior Securityholders, an amount equal to the Facility Unused Fees accrued with respect to the preceding Monthly Period;

(v) fifth, to the extent not paid pursuant to subsection 4.11(a)(iv) above, to the Administrative Agent for the benefit of the Senior Securityholders, an amount equal to the Increased Costs, if any, accrued with respect to the preceding Monthly Period; and

(vi) sixth, to the Class D Securityholder, an amount equal to the Class D Interest, if any, accrued with respect to the preceding Monthly Period.

Section 4.12 Payment of Principal.

On each Business Day during the Revolving Period, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account the amount deposited therein pursuant to subsection 9A(b) of the Agreement and pay such amount to the Administrative Agent pursuant to Section 5.1 of the Agreement on the next Business Day. If so designated in writing by the

Transferor with respect to such Business Day, after giving effect to the payments described in the preceding sentence, the Class D Excess Amount, if any, may be subtracted from the Class D Invested Amount and added to the Transferor Interest.

On the Transfer Date preceding each Distribution Date during the Amortization Period, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account, to the extent of funds available, an amount equal to the Class A Principal for such Distribution Date and deposit such amount in the Distribution Account. On each Distribution Date with respect to the Amortization Period until the Class A Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Administrative Agent from the Distribution Account such amounts deposited with respect to Class A Principal into the Distribution Account on the related Transfer Date.

On the Transfer Date preceding the Class B Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account, to the extent of funds available, an amount equal to the Class B Principal for such Distribution Date and deposit such amount in the Distribution Account. On and after the Class B Principal Payment Commencement Date, on each Distribution Date until the Class B Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Administrative Agent from the Distribution Account such amounts deposited with respect to Class B Principal into the Distribution Account on the related Transfer Date.

On the Transfer Date preceding the Class C Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account, to the extent of funds available, an amount equal to the Class C Principal for such Distribution Date and deposit such amount in the Distribution Account. On and after the Class C Principal Payment Commencement Date, on each Distribution Date until the Class C Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Administrative Agent from the Distribution Account such amounts deposited with respect to Class C Principal into the Distribution Account on the related Transfer Date.

On the Transfer Date preceding the Class D Principal Payment Commencement Date and each Transfer Date thereafter, the Trustee, acting in accordance with instructions from the Servicer set forth in the Daily Report for such day, shall withdraw from the Principal Account and deposit in the Distribution Account, to the extent of funds available, an amount equal to the Class D Principal for the related Distribution Date. On the Class D Principal Payment Commencement Date after the payment of any principal amounts to the Class A Securities, the Class B Securities and the Class C Securities on such day, and on each Distribution Date thereafter until the Class D Invested Amount is paid in full, the Paying Agent shall pay in accordance with Section 5.1 of the Agreement to the Class D Securityholder from the Distribution Account such amounts deposited with respect to Class D Principal into the Distribution Account on the related Transfer Date. Notwithstanding the foregoing, if so designated in writing by the Transferor with respect to any such Transfer Date, any such payment of Class D Principal shall not be made to the Class D Securityholder but such amount shall nonetheless be subtracted from the Class D Invested Amount and added to the Transferor Interest and on each Transfer Date Class D Excess Amounts may be subtracted from the Class D Invested Amount and added to the Transferor Interest whether or not such amount has been deposited into the Distribution Account.

(f) On any Business Day during the Amortization Period, upon the direction of the Transferor any amounts on deposit in the Principal Account pursuant to subsection 4.9(c) of the Agreement may be withdrawn from the Principal Account and deposited in the Distribution Account, to the extent of funds available, for distribution on the next Business Day, pursuant to Section 5.1 of the Agreement, to be applied to the payment of Class A Principal until the Class A Invested Amount is paid in full, then to the payment of Class B Principal until the Class B Invested Amount is paid in full, then to the payment of Class C Principal until the Class C Invested Amount is paid in full, and then to the payment of Class D Principal until the Class D Invested Amount is paid in full.

(g) Any amounts remaining in the Principal Account and allocable to the Series 1998-3 Securities, after the Class D Invested Amount has been paid in full, will be treated as Shared Principal Collections and applied in accordance with Section 4.3(e) of the Agreement.

Section 4.13 Series Charge-Offs. If, on any Determination Date, the sum of the aggregate Series Default Amount and the Series 1998-3 Percentage of unpaid Adjustment Payments, if any, for all Business Days in the preceding Monthly Period exceeded the sum of (x) the aggregate Available Series 1998-3 Finance Charge Collections applied to the payment thereof pursuant to subsections 4.9(a)(v) and (vi) of the Agreement, (y) the aggregate amount of Transferor Finance Charge Collections and Excess Finance Charge Collections allocated thereto pursuant to Section 4.10 of the Agreement, and (z) the aggregate amount of Redirected Principal Collections applied with respect thereto pursuant to Section 4.14 of the Agreement, the Class D Invested Amount will be reduced by the amount of such excess (a "Class D Charge-Off").

In the event that any such reduction of the Class D Invested Amount would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero, and, the Class C Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero, but not more than the aggregate Series Default Amount and Series 1998-3 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class C Charge-Off").

In the event that any such reduction of the Class C Invested Amount would cause the Class C Invested Amount to be a negative number, the Class C Invested Amount will be reduced to zero, and, the Class B Invested Amount will be reduced by the amount by which the Class C Invested Amount would have been reduced below zero, but not more than the remaining aggregate Series Default Amount and Series 1998-3 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class B Charge-Off").

In the event that any such reduction of the Class B Invested Amount would cause the Class B Invested Amount to be a negative number, the Class B Invested Amount will be reduced to zero, and the Class A Invested Amount will be reduced by the amount by which the Class B Invested Amount would have been reduced below zero, but not more than the remaining aggregate Series Default Amount and Series 1998-3 Percentage of unpaid Adjustment Payments for such Monthly Period (a "Class A Charge-Off").

Section 4.14 Redirected Principal Collections for the Series 1998-3 Securities. On each Business Day, the Servicer will determine an amount equal to the least of (i) the Class D Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class D Floating Percentage or (II) during an Amortization Period, the Class D Fixed/Floating Percentage and (y) the amount of Principal Collections with respect to such Business Day and (iii) an amount equal to the sum of (a) the

Class A Required Amount for such Business Day, (b) the Class B Required Amount for such Business Day and (c) the Class C Required Amount for such Business Day (such amount called "Redirected Class D Principal Collections") and shall apply Principal Collections allocable to the Series 1998-3 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-3 Finance Charge Collections.

On each Business Day, the Servicer will determine an amount equal to the least of (i) the Class C Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class C Floating Percentage or (II) during an Amortization Period, the Class C Fixed/Floating Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the sum of (a) the excess, if any, of the Class A Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day and (b) the excess, if any, of the Class B Required Amount for such Business Day over the amount of Redirected Class D Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected Class C Principal Collections") and shall apply Principal Collections allocable to the Series 1998-3 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-3 Finance Charge Collections.

On each Business Day, the Servicer will determine an amount equal to the least of (i) the Class B Invested Amount, (ii) the product of (x)(I) during the Revolving Period, the Class B Floating Percentage or (II) during an Amortization Period, the Class B Fixed/Floating Percentage and (y) the amount of Principal Collections for such Business Day and (iii) an amount equal to the excess, if any, of the Class A Required Amount for such Business Day over the sum of the amount of Redirected Class D Principal Collections and Redirected Class C Principal Collections applied with respect thereto for such Business Day (such amount called "Redirected Class B Principal Collections") and shall apply Principal Collections allocable to the Series 1998-3 Securities in an amount equal to such amount in accordance with subsection 4.9(a) as if such amounts were Available Series 1998-3 Finance Charge Collections.

(d) On each Distribution Date, the Class D Invested Amount will be reduced by the aggregate amount of unreimbursed Redirected Principal Collections for the related Monthly Period. In the event that such reduction would cause the Class D Invested Amount to be a negative number, the Class D Invested Amount will be reduced to zero and the Class C Invested Amount will be reduced by the amount by which the Class D Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections for such Distribution Date would cause the Class C Invested Amount to be a negative number, the Class C Invested Amount will be reduced to zero and the Class B Invested Amount will be reduced by the amount by which the Class C Invested Amount would have been reduced below zero. In the event that the amount of unreimbursed Redirected Principal Collections would cause the Class B Invested Amount to be a negative number on any Distribution Date, the amount of Class B Redirected Principal Collections on such Distribution Date will be an amount not to exceed the amount which would cause the Class B Invested Amount to be reduced to zero.

Section 4.15 Class C Trigger Event. If (i) the rating from Moody's of Fingerhut Companies, Inc.'s most senior notes and, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility are reduced below Baa2 (a "Class C Trigger Event"), and (ii) with respect to any Business Day, the percentage equivalent of a fraction the numerator of which is the Series 1998-3 Percentage of the Transferor Interest and the denominator of which is the sum of the Invested Amount and the Series 1998-3 Percentage of the

Transferor Interest (the "Target Percentage") is less than 5%, (a) the Transferor shall, in connection with increases in the aggregate amount of Principal Receivables in the Trust, the scheduled paydown of other Series or, with respect to any Series of Variable Funding Securities, an optional payment of principal, allow the Transferor Interest to increase such that the Target Percentage shall be equal to or in excess of 5% or (b) the Servicer shall cause amounts available pursuant to subsection 4.9(a)(xi) of the Agreement to be deposited in the Class C Reserve Account until the amount on deposit therein is equal to the Specified Class C Reserve Amount. The Servicer shall provide to Moody's and the Trustee prompt written notice of any downgrading of the rating of Fingerhut Companies, Inc.'s most senior rated notes. The Transferor may allow the Transferor Interest to decrease on any Business Day, to the extent that it exceeds the Minimum Transferor Interest and the amount on deposit in the Class C Reserve Account following any such decrease and after giving effect to any deposit therein on such Business Day is at least equal to the Specified Class C Reserve Amount.

Section 4.16 Class C Reserve Account.

Establishment of the Class C Reserve Account. The Servicer, for the benefit of the Class C Securityholders, shall, upon the occurrence of a Class C Trigger Event, establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Class C Securityholders, the "Class C Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Class C Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Class C Reserve Account and in all proceeds thereof. The Class C Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Class C Securityholders. If, at any time, the institution holding the Class C Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Class C Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Class C Reserve Account. From the date such new Class C Reserve Account is established, it shall be the "Class C Reserve Account."

Administration of the Class C Reserve Account. On each Business Day following the occurrence of a Class C Trigger Event, the Servicer shall deposit in the Class C Reserve Account an amount equal to the excess of the Specified Class C Reserve Amount over the amount on deposit in the Class C Reserve Account to the extent of funds available therefor pursuant to subsection 4.9(a)(xi). Funds on deposit in the Class C Reserve Account shall be withdrawn by the Servicer and applied in accordance with subsection 4.9(a)(ix) to the extent of the aggregate amount of Class C Charge-Offs resulting from unpaid Adjustment Payments, if any. Amounts on deposit in the Class C Reserve Account may be subsequently released therefrom to the extent that the amount on deposit in the Class C Reserve Account exceeds the Specified Class C Reserve Amount and paid to the Transferor. The amount on deposit in the Class C Reserve Account may also be released therefrom and paid to the Transferor, and the Target Percentage of the Transferor Interest may equal zero, if the rating of Fingerhut Companies, Inc.'s most senior rated notes or, if rated, the rating of Fingerhut Companies, Inc.'s corporate revolving lines of credit facility, is subsequently increased to Baa2 or higher by Moody's or the Class C Invested Amount has been paid in full.

Investment of Funds in the Class C Reserve Account. Funds on deposit in the Class C Reserve Account shall be invested, by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer, in Cash Equivalents that will mature so that such funds

will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the Class C Reserve Account (to the extent that the amount on deposit in the Class C Reserve Account is less than the Specified Class C Reserve Amount) or applied on each Business Day as Available Series 1998-3 Finance Charge Collections.

Termination of the Class C Reserve Account. The Class C Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the Class C Invested Amount is paid in full. Upon the termination of the Class C Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Class C Reserve Account on such date as described above) shall be released therefrom and paid to the Transferor.

Section 4.17 Payment Reserve Account.

Establishment of the Payment Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Securityholders, the "Payment Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Payment Reserve Account and in all proceeds thereof. The Payment Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Securityholders. If, at any time, the institution holding the Payment Reserve Account ceases to be a Qualified Institution, the Trustee shall within 20 Business Days establish a new Payment Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Payment Reserve Account. From the date such new Payment Reserve Account is established, it shall be the "Payment Reserve Account."

Administration of the Payment Reserve Account. The Transferor, at its discretion, may withdraw on any Determination Date a part or all of any amounts remaining in the Payment Reserve Account after giving effect to any withdrawals required to be made under Section 4.9(a) above.

Investment of Funds on Deposit in the Payment Reserve Account. Funds on deposit in the Payment Reserve Account shall be invested, by the Trustee (or, at the direction of the Trustee, by the Servicer on behalf of the Trustee) at the direction of the Servicer, in Cash Equivalents that will mature so that such funds will be available for withdrawal on or prior to the following Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be applied on each Business Day as Available Series 1998-3 Finance Charge Collections.

Termination of Payment Reserve Account. The Payment Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the Invested Amount is paid in full. Upon the termination of the Payment Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Payment Reserve Account on such date as described above) shall be applied as if they were Available Series 1998-3 Finance Charge Collections available to be applied pursuant to subsection 4.9(a) on the last Business Day of the preceding Monthly Period.

Section 4.18 Revolving Receivables Reserve Account.

Establishment of the Revolving Receivables Reserve Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-3 Securityholders, the "Revolving Receivables Reserve Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-3 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Revolving Receivables Reserve Account and in all proceeds thereof. The Revolving Receivables Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-3 Securityholders. If at any time, the institution holding the Revolving Receivables Reserve Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Revolving Receivables Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Revolving Receivables Reserve Account. From the date such new Revolving Receivables Reserve Account is established, it shall be the "Revolving Receivables Reserve Account."

Deposits. On the Closing Date, the Transferor shall make an initial deposit of \$100,000 to the Revolving Receivables Reserve Account. Amounts shall be deposited in the Revolving Receivables Reserve Account on each Business Day to the extent specified pursuant to subsection 4.9(a)(xviii) of the Agreement.

Withdrawals. Funds on deposit in the Revolving Receivables Reserve Account shall be withdrawn by the Servicer on each Transfer Date to the extent of any shortfalls in amounts to be paid or deposited pursuant to subsections 4.9(a)(i) through (xvii) of the Agreement as of the end of the day on the last Business Day of the preceding Monthly Period and shall be applied in accordance with subsections 4.9(a)(i) through (xvii) of the Agreement as Available Series 1998-3 Finance Charge Collections as if such amounts were available on the last Business Day of the preceding Monthly Period. To the extent that the amount on deposit in the Revolving Receivables Reserve Account is greater than the Specified Revolving Receivables Reserve Amount such amount may be released to the Transferor.

Investment of Funds in Revolving Receivables Reserve Account. Funds on deposit in the Revolving Receivables Reserve Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the following Transfer Date. The interest and other investment income (net of investment expenses and losses) earned on such investments will be, (i) to the extent the amount on deposit therein is less than the Specified Revolving Receivables Reserve Amount, retained in the Revolving Receivables Reserve Account and, (ii) to the extent the amount on deposit therein is greater than the Specified Revolving Receivables Reserve Amount, the aggregate proceeds of any such investment shall be applied on each Transfer Date as Investment Earnings for application as Available Series 1998-3 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

Termination of Revolving Receivables Reserve Account. The Revolving Receivables Reserve Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the Invested Amount is paid in full. Upon the termination of the Revolving Receivables Reserve Account, all amounts on deposit therein (after giving effect to any withdrawal from the Revolving Receivables Reserve Account on such date as described above) shall be applied as Available Series 1998-3 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

Section 4.19 Principal Funding Account.

Establishment of the Principal Funding Account. The Servicer shall establish and maintain or cause to be established and maintained with a Qualified Institution, which may be the Trustee, in the name of the Trustee, on behalf of the Series 1998-3 Securityholders, the "Principal Funding Account," which shall be a segregated trust account with the corporate trust department of such Qualified Institution, bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 1998-3 Securityholders. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Principal Funding Account and in all proceeds thereof. The Principal Funding Account shall be under the sole dominion and control of the Trustee for the benefit of the Series 1998-3 Securityholders. If at any time, the institution holding the Principal Funding Account ceases to be a Qualified Institution, the Trustee shall within 10 Business Days establish a new Principal Funding Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Principal Funding Account. From the date such new Principal Funding Account is established, it shall be the "Principal Funding Account."

Investment of Funds in the Principal Funding Account. Funds on deposit in the Principal Funding Account shall be invested by the Trustee at the direction of the Servicer in Cash Equivalents maturing no later than the next Business Day. The interest and other investment income (net of investment expenses and losses) earned on such investments will be applied on each Business Day as Available Series 1998-3 Finance Charge Collections.

Termination of the Principal Funding Account. The Principal Funding Account shall be terminated following the earliest to occur of (a) the termination of the Trust pursuant to the Agreement and (b) the date on which the Invested Amount is paid in full. Upon the termination of the Principal Funding Account, all amounts on deposit therein (after giving effect to any withdrawal from the Principal Funding Account on such date as described above) shall be applied as Available Series 1998-3 Finance Charge Collections as if such amounts were available to be applied pursuant to subsection 4.9(a) of the Agreement on the last Business Day of the preceding Monthly Period.

Section 4.20 Constituent Class D Securities. The Transferor as holder of the Class D Securities may at any time (i) subdivide the Class D Securities into two or more subsidiary Securities, or (ii) redirect all or any portion of the amounts distributable to the Class D Securityholders (pursuant to the application of collections allocable to the Class D Securityholders) to any other Securityholder. In connection with such subdivision, the Transferor may assign an interest rate to the Class D Securities, the "Class D Interest Rate," or a portion thereof and make payments of interest with respect to such Securities from amounts initially allocated to the Series 1998-3 Securities and available pursuant to subsection 4.9(a)(xiv). Before any Class D Securities can be subdivided or transferred, the following conditions must be met: (i) the Trustee and the Transferor shall have received an Opinion of Counsel that such transfer does not adversely affect the conclusions reached in any of the federal or state income tax opinions issued in connection with the original issuance of the Series 1998-3 Securities, (ii) the Transferor shall deliver to the Trustee an officers' certificate stating that in the reasonable belief of the Transferor, such subdivision would not cause a Trust Pay Out Event or a Series Pay Out Event to occur, or an event which, with notice or lapse of time or both, would constitute a Trust Pay Out Event or a Series Pay Out Event, and (ii) the Rating Agency Condition shall have been satisfied.

Section 4.21 Determination of LIBOR.

"LIBOR" shall mean, for a specific Interest Accrual Period, the rate for deposits in United States dollars for one month (commencing on the first day of the relevant Interest Accrual Period) which appears on the Dow Jones Telerate Page 3750 (or a similar replacement page) as of 11:00 A.M., London time, on the LIBOR Determination Date for such Interest Accrual Period. If such rate does not appear on the Dow Jones Telerate Page 3750 (or a similar replacement page), the rate for such Interest Accrual Period will be determined on the basis of the rates at which deposits in the United States dollars are offered by four major banks in the London interbank market selected by the Trustee at approximately 11:00 a.m., London time, on such LIBOR Determination Date to prime banks in the London interbank market for a period equal to one month (commencing on the first day of Interest Accrual Period). The Trustee will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, the rate for such Interest Accrual Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for such Interest Accrual Period will be the arithmetic mean of the rates quoted by four major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York City time, on the LIBOR Determination Date for loans in United States dollars to leading European banks for a period equal to one month (commencing on the first day of such Interest Accrual Period).

SECTION 7. Article V of the Agreement. Article V of the Agreement shall read in its entirety as follows and shall be applicable only to the Series 1998-3 Securities:

ARTICLE V DISTRIBUTIONS AND REPORTS TO INVESTOR SECURITY HOLDERS

Section 5.1 Distributions. On each Business Day, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to the Administrative Agent amounts on deposit in the Distribution Account as are payable to the Class A Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by wire transfer to an account or accounts designated by the Administrative Agent by written notice given to the Paying Agent not less than five days prior to such Business Day; provided, however, that the final payment in retirement of the Class A Securities will be made only upon presentation and surrender of the Class A Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Business Day, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to the Administrative Agent amounts on deposit in the Distribution Account as are payable to the Class B Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by wire transfer to an account or accounts designated by the Administrative Agent by written notice given to the Paying Agent not less than five days prior to the related Distributed Date; provided, however, that the final payment in retirement of the Class B Securities will be made only upon presentation and surrender of the Class B Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Business Day, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to the Administrative Agent amounts on deposit in the Distribution Account as are payable to the Class C Securityholders pursuant to Sections 4.11 and 4.12 of the Agreement by wire transfer to an account or accounts designated

by the Administrative Agent by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class C Securities will be made only upon presentation and surrender of the Class C Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

On each Business Day on which payments are made pursuant to Section 4.11 or Section 4.12 of the Agreement, the Paying Agent shall distribute (in accordance with the Settlement Statement delivered by the Servicer to the Trustee and the Paying Agent pursuant to subsection 3.4(c)) to each Class D Securityholder of record on the preceding Record Date (other than as provided in subsection 2.4(e) or in Section 12.3 respecting a final distribution) such Securityholder's pro rata share (based on the aggregate undivided interests represented by Class D Securities held by such Securityholder) of amounts on deposit in the Distribution Account as are payable to the Class D Securityholders pursuant to Section 4.11 or 4.12 of the Agreement by wire transfer to each Class D Securityholder to an account or accounts designated by such Class D Securityholder by written notice given to the Paying Agent not less than five days prior to the related Distribution Date; provided, however, that the final payment in retirement of the Class D Securities will be made only upon presentation and surrender of the Class D Securities at the office or offices specified in the notice of such final distribution delivered by the Trustee pursuant to Section 12.3.

Section 5.2 Securityholders' Statement. On the 15th day of each calendar month (or if such day is not a Business Day the next succeeding Business Day), the Paying Agent shall forward to each Securityholder and the Rating Agencies a statement substantially in the form of Exhibit C prepared by the Servicer and delivered to the Trustee and the Paying Agent on the preceding Determination Date setting forth the following information:

the total amount distributed;

the amount of such distribution allocable to the payment of principal on the Series 1998-3 Securities;

the amount of such distribution allocable to the payment of interest on the Series 1998-3 Securities;

the amount of Principal Collections processed in the Collection Account during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Class C Securities and the Class D Securities, respectively;

the amount of Finance Charge Collections processed during the preceding Monthly Period and allocated in respect of the Class A Securities, the Class B Securities, the Class C Securities and the Class D Securities, respectively;

the aggregate amount of Principal Receivables, the Invested Amount, the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount, the Class D Invested Amount, the Floating Percentage and, during the Amortization Period, the Fixed/Floating Percentage as applicable, as of the end of the day on the last day of the related Monthly Period;

the aggregate outstanding balance of Receivables which are current, 0-29, 30-59, 60-89, and 90 days and over delinquent as of the end of the day on the last day of the related Monthly Period;

the aggregate Series Default Amount for the preceding Monthly Period;

the aggregate amount of Class A Charge-Offs, Class B Charge-Offs, Class C Charge-Offs and Class D Charge-Offs for the preceding Monthly Period;

the amount of the Servicing Fee for the preceding Monthly Period;

the amount of unreimbursed Redirected Class B Principal Collections, Redirected Class C Principal Collections and Redirected Class D Principal Collections for the related Monthly Period;

the aggregate amount of funds in the Excess Funding Account and the Revolving Receivables Reserve Account as of the last day of the Monthly Period immediately preceding the Distribution Date;

the Specified Revolving Receivables Reserve Amount as of such date;

whether a Class C Trigger Event has occurred and if so the Specified Class C Reserve Amount and the amount then on deposit in the Class C Reserve Account; and

the Aggregate Interest Rate Caps Notional Amount and the amount deposited in the Cap Proceeds Account during the related Monthly Period.

Annual Securityholders' Tax Statement. On or before January 31 of each calendar year, beginning with calendar year 1999, the Paying Agent shall distribute to each Person who at any time during the preceding calendar year was a Series 1998-3 Securityholder, a statement prepared by the Servicer containing the information required to be contained in the regular report to Series 1998-3 Securityholders, as set forth in subclauses (i), (ii) and (iii) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 1998-3 Securityholder, together with, on or before January 31 of each year, beginning in 1999, such other customary information (consistent with the treatment of the Securities as debt) as the Trustee or the Servicer deems necessary or desirable to enable the Series 1998-3 Securityholders to prepare their tax returns. Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Internal Revenue Code as from time to time in effect.

SECTION 7A. Article VI of the Agreement. Article VI (except for Sections 6.01 through 6.14 thereof) shall read in its entirety as follows and shall be applicable only to the Series 1998-3:

ARTICLE VI THE SECURITIES

Section 6.15 Additional Invested Amounts. (a) Each Senior Securityholder agrees, by acceptance of a Senior Security, that the Transferor may from time to time, prior to an Increase Termination Date, upon one Business Day's prior written notice, request that such Senior Securityholder acquire on any Business Day, and such Senior Securityholder may (if it is a Conduit Purchaser) and shall (if it is an Alternate Purchaser and the related Conduit Purchaser determines not to so purchase) acquire additional Series 1998-3 Securities of the same Class previously held by such Senior Securityholder in an amount, subject to Section 6.15(b) hereof, equal to its Purchaser Group Percentage of the total amount of such Class of such Senior Securities that the Transferor requests be purchased by Senior Securityholders (such acquired amounts, the "Additional Class A Invested Amounts" with respect to the Class A Securities, the "Additional Class B Invested Amounts" with respect to the Class B Securities and the "Additional Class C Invested Amounts" with respect to the Class C Securities, and collectively, the "Additional Invested

Amounts")subject to the following restrictions:

no Servicer Default, or event which, with the giving of notice or lapse of time, or both, would constitute a Servicer Default, with respect to the Servicer shall have occurred and be continuing (unless such Servicer Default or event, as applicable, has been waived in writing by the Senior Securityholders);

the Agreement, the Senior Securities and the Security Purchase Agreement shall be in full force and effect;

each of the Transferor's and the Servicer's representations and warranties in the Agreement and the Security Purchase Agreement shall be true and correct in all material respects as of the dates they were so made (unless they specifically refer to another date in which case they shall be true and correct as of such earlier date), each of the Transferor's representations and warranties in clauses (a), (c), (e) and (g) of Section 4.01 of the Security Purchase Agreement shall be true and correct in all material respects as of the date of the proposed increase in the Invested Amount and each of the Transferor and the Servicer shall have complied with all the agreements and satisfied all of the conditions under the Agreement and the Security Purchase Agreement, in all material respects, on its part to be performed or satisfied at or prior to the date hereof or such Business Day, as applicable;

no action, proceeding or investigation shall have been instituted or threatened, nor shall any order, judgment or decree have been issued or proposed to be issued by any court, agency or authority to set aside, restrain, enjoin or prevent the consummation of any transaction contemplated hereby or seeking material damages against the Trust, the Trustee, the Managing Agents, the Administrative Agent or the Conduit Purchasers in connection with the transactions contemplated in the Agreement and the Security Purchase Agreement;

the Class A Securities, the Class B Securities and the Class C Securities shall be rated at least "Aa2," "A2" and "Baa2," respectively, by Moody's;

except as provided in subsection 6.15(b) hereof, any such request by the Transferor for any Senior Securityholder to acquire Series 1998-3 Securities of any Class shall be made concurrently with requests for all Senior Securityholders of such Class of Securities to acquire additional amounts of such Class of Series 1998-3 Securities;

except as provided in subsection 6.15(b) hereof, any such request by the Transferor for Senior Securityholders to acquire Series 1998-3 Securities of any Class shall be made concurrently with requests for Senior Securityholders and, pursuant to subsection 6.16, the Class D Securityholder to acquire proportional amounts of each Class of Series 1998-3 Securities;

if such an increase in the Class A Invested Amount, Class B Invested Amount or Class C Invested Amount would cause a Trust Pay Out Event or a Series Pay Out Event to occur, then the amount of the increase in the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount, shall be limited on such Business Day to the maximum increase in the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount that may be obtained without causing a Pay Out Event to occur;

in no case shall the Class A Invested Amount, Class B Invested Amount or Class C Invested Amount be increased above the Class A Maximum Invested Amount, Class B Maximum Invested Amount or Class C Maximum Invested Amount, respectively;

in no case shall the sum of the Aggregate ABC Principal Amount and the Aggregate Interest Component exceed the

Facility Limit;

in no case shall the Additional Invested Amounts on any Business Day exceed an amount equal to the excess of the aggregate amount of Principal Receivables over the greater of (x) the sum of (i) the aggregate invested amount of each Series then outstanding as of such day including the Class A Securities, Class B Securities and Class C Securities (prior to the addition of such Additional Invested Amounts) minus amounts on deposit in the Principal Account or Principal Funding Account for any Series, if any, and (ii) the Minimum Transferor Interest as of such day or (y) the Minimum Aggregate Principal Receivables;

the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount following the acquisition of such Additional Invested Amounts shall be at least equal to the Stated Class B Amount, the Stated Class C Amount and the Stated Class D Amount (including increases to the Class D Invested Amount pursuant to Section 6.16 of the Agreement), respectively;

the notional amount of the Interest Rate Caps shall be at least equal to the Aggregate ABC Principal Amount after giving effect to the proposed increase in the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount; and

after giving effect to the proposed increase in the Invested Amounts no Series Pay Out Event shall occur as a result of such increase.

If the Securityholders acquire such Additional Invested Amounts, such Securityholders shall pay an amount equal to the Additional Invested Amounts to the Transferor and, in consideration of such Securityholders' payment of the Additional Invested Amounts, the Servicer shall appropriately note such Additional Invested Amount (and the increased Class A Invested Amount, Class B Invested Amount and Class C Invested Amount) on the next succeeding Servicer's report and the Invested Amount of the Class A Securities, Class B Securities and Class C Securities will be equal to the Invested Amount of such Series 1998-3 Securities stated in such Servicer's report.

The outstanding amounts of any Additional Invested Amounts acquired by a Series 1998-3 Securityholder shall be evidenced by the Series 1998-3 Securities to be issued on the Closing Date. The Series 1998-3 Securityholders shall be and are hereby authorized to record on the grid attached to their respective Series 1998-3 Securities (or at such Series 1998-3 Securityholder's option, in its internal books and records) the date and amount of any Additional Invested Amount acquired by it, and each repayment thereof; provided that failure to make any such recordation on such grid or any error in such grid shall not adversely affect the Series 1998-3 Securityholder's rights with respect to its Class A Invested Amount, Class B Invested Amount or Class C Invested Amount, as appropriate, and its right to receive interest payments in respect of the Class A Invested Amount, Class B Invested Amount or Class C Invested Amount, as appropriate, held by the Series 1998-3 Securityholder.

Notwithstanding anything in Section 6.15(a) hereof to the contrary, any acquisition of Additional Invested Amounts pursuant to Section 6.15(a) hereof (x) less than an aggregate Additional Invested Amount of \$4,000,000 or (y) greater than \$4,000,000 in other than an integral multiple of \$2,000,000, in each case may be allocated other than pursuant to the Purchaser Group Percentages; provided, however, that no Series 1998-3 Securityholder may be allocated more than \$5,000,000 dollars in excess of its Purchaser Group Percentage of the sum of the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount; provided, further, that in the case of clause (y) above, any Additional Invested Amount in an integral multiple of \$2,000,000 shall be allocated pursuant to the Purchaser Group Percentages; provided, further, that no Series 1998-3

Securityholder shall be allocated more than the Purchaser Group Percentage of the Facility Limit; provided, further, that the Invested Amounts of each Class of Series 1998-3 Securities are increased proportionately.

The purchase of any Additional Invested Amount shall be in an aggregate principal amount that is not less than \$1,000,000 or integral multiples of \$250,000 in excess thereof.

Section 6.16 Additional Class D Invested Amounts.

On any Business Day while any Series 1998-3 Securities are outstanding, the Transferor may elect to increase the Class D Invested Amount (such additional amounts, "Additional Class D Invested Amounts") by written notice to the Trustee on such date which notice shall specify the effective date and the amount of such increase in the Class D Invested Amount; provided, however, that if such an increase in the Class D Invested Amount would cause a Trust Pay Out Event or a Series Pay Out Event to occur, then the amount of the increase in the Class D Invested Amount shall be limited on such Business Day to the maximum increase in the Class D Invested Amount that may be obtained without causing either a Trust Pay Out Event or a Series Pay Out Event to occur; and provided further, that in no case shall the Class D Invested Amount be increased above the Class D Maximum Invested Amount; provided further that no such increase in the Class D Invested Amount shall be permitted under this Section 6.16 unless: (i) after giving effect to the proposed increase in Class D Invested Amount the Transferor Interest shall equal or exceed the Minimum Transferor Interest, (ii) no Series Pay Out Event will occur as a result of such increase in the Class D Invested Amount and (iii) such increase in the Class D Invested Amount shall be made concurrently with a proportional increase in the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount pursuant to Section 6.15 of the Agreement.

Section 6.17 Extension. If a Pay Out Event has not occurred or has occurred but has been remedied on or before the 30th Business Day preceding the Extension Date, the Transferor, in its sole discretion, may deliver to the Trustee on or before such date a notice substantially in the form of Exhibit E (the "Extension Notice") to this Series Supplement. The Trustee shall deliver a copy of the Extension Notice and all documents annexed thereto to the Series 1998-3 Securityholders of record on the date of receipt thereof. The Transferor shall state in the Extension Notice that it intends to extend the Revolving Period until the later Amortization Period Commencement Date set forth in the Extension Notice. The Extension Notice shall also set forth the next Extension Date. The following documents shall be annexed to the Extension Notice: (i) a form of the Opinion of Counsel addressed to the Transferor and the Trustee to the effect that despite the extension the Trust will not be treated as an association taxable as a corporation (the "Extension Tax Opinion"); (ii) a form of the Opinion of Counsel addressed to the Transferor and the Trustee (the "Extension Opinion") to the effect that (A) the Transferor has the corporate power and authority to effect the Extension, (B) the extension has been duly authorized by the Transferor, and (C) all conditions precedent to the Extension required by this Section 6.17 have been fulfilled; (iii) a form of Series 1998-3 Securityholder Election Notice substantially in the form of Exhibit F (the "Election Notice") to this Series Supplement; and (iv) a schedule setting forth the Aggregate Interest Rate Caps Notional Amount for the period or periods as indicated from the Extension Date through the new Scheduled Series 1998-3 Termination Date, each as specified in the related Extension Notice. In addition, the Extension Notice shall state that any Series 1998-3 Securityholder electing to approve the Extension must do so on or before the Election Date (as defined below) by returning the annexed Election Notice properly executed to the Trustee in the manner described below. The Extension Notice shall also state that a Series 1998-3 Securityholder may withdraw any such election in whole or in part on or before the Election Date, and

the Transferor, in its sole discretion, may, prior to the Election Date, withdraw its election to extend the Revolving Period. Any Holder that elects to approve an Extension hereunder shall deliver a duly executed Election Notice to the Trustee at the address designated in the Extension Notice on or before 3:00 p.m., New York City time, on or before the fifth Business Day preceding the Extension Date (such Business Day constituting the "Election Date").

No extension shall occur unless each of the following conditions have been satisfied prior to the close of business on the Election Date:

no Pay Out Event shall have occurred and be continuing;

there shall have been delivered to the Trustee (A) the Extension Tax Opinion and the Extension Opinion, each addressed to the Trustee and (B) written confirmation from the Rating Agency that the Extension will not cause such Rating Agency to lower or withdraw its then current rating of such Series 1998-3 Securities; and

each of the holders of the Class A Securities, the Class B Securities, and the Class C Securities shall have elected to approve the Extension by returning to the Trustee on or before the Election Date the executed Election Notice annexed to the Extension Notice delivered to the Securityholders pursuant to subsection 6.17(a) of the Agreement.

If, by the close of business on the Election Date, all of the conditions stated in this subsection 6.17(b) of the Agreement have not been satisfied and all such documents delivered to the Trustee pursuant to this subsection 6.17(b) of the Agreement are not in form satisfactory to it, or if the Transferor has notified the Trustee, prior to the Election Date, that the Transferor has exercised its right to withdraw its election of an Extension, no Extension shall occur.

The execution by the Series 1998-3 Securityholders of the applicable Election Notice and return thereof to the Trustee by the required Date and time, the continued election by the Transferor to extend the Revolving Period at the Election Date, and the compliance with all of the provisions of this Section 6.17, shall evidence an extension or renewal of the obligations represented by the Series 1998-3 Securities, and not a novation or extinguishment of such obligations or a substitution with respect thereto.

To the extent required by applicable laws and regulations, as evidenced by an Opinion of Counsel delivered by the Transferor to the Trustee, the provisions of this Section 6.17 shall or may be modified to comply with all applicable laws and regulations in effect at the time of the Extension.

SECTION 8. Series Pay Out Events. If any one of the following events shall occur with respect to the Series 1998-3 Securities:

failure on the part of the Transferor (i) to make any payment or deposit required to be made by the Transferor by the terms of the Agreement or this Series Supplement, on or before the date occurring five Business Days after the date such payment or deposit is required to be made therein or herein, (ii) to perform in all material respects the Transferor's covenant not to sell, pledge, assign, or transfer to any person, or grant any unpermitted lien on, any Receivable; or (iii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set forth in the Agreement or this Series Supplement, which failure has a material adverse effect on the Series 1998-3 Securityholders and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and

the Trustee by the Required Senior Securityholders, and continues to affect materially and adversely the interests of the Series 1998-3 Securityholders for such period;

any representation or warranty made by the Transferor in the Agreement or this Series Supplement, (i) shall prove to have been incorrect in any material respect when made, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Trustee, or to the Transferor and the Trustee by the Required Senior Securityholders, and (ii) as a result of which the interests of the Series 1998-3 Securityholders are materially and adversely affected and continue to be materially and adversely affected for such period; provided, however, that a Series Pay Out Event pursuant to this subsection 8(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period (or such longer period as the Trustee may specify) in accordance with the provisions of the Agreement;

the average of the Portfolio Yields for any three consecutive Monthly Periods is reduced to a rate which is less than the weighted average of the weighted average Base Rates for such three consecutive Monthly Periods;

(i) the Transferor Interest shall be less than the Minimum Transferor Interest, (ii) the Series 1998-3 Percentage of the sum of the total amount of Principal Receivables plus amounts on deposit in the Excess Funding Account shall be less than the Minimum Aggregate Principal Receivables or (iii) the Retained Percentage shall be equal to or less than 2%, in each case as of any Determination Date and, in each case, shall not exceed the required amount on or prior to the tenth Business Day following such Determination Date; or

any Servicer Default shall occur which would have a material adverse effect on the Series 1998-3 Securityholders;

then, in the case of any event described in subparagraph (a), (b) or (e), after the applicable grace period, if any, set forth in such subparagraphs, the Required Senior Securityholders by notice then given in writing to the Trustee, the Transferor, the Cap Provider and the Servicer may declare that a pay out event (a "Series Pay Out Event") has occurred as of the date of such notice, and in the case of any event described in subparagraphs (c) or (d), a Series Pay Out Event shall occur without any notice or other action on the part of the Trustee or the Series 1998-3 Securityholders immediately upon the occurrence of such event.

SECTION 9. Series 1998-3 Termination. The right of the Series 1998-3 Securityholders to receive payments from the Trust will terminate on the first Business Day following the Series 1998-3 Termination Date unless such Series is an Affected Series as specified in Section 12.1(c) of the Agreement and the sale contemplated therein has not occurred by such date, in which event the Series 1998-3 Securityholders shall remain entitled to receive proceeds of such sale when such sale occurs.

SECTION 9A. Pre-Payment. During the Revolving Period, the Holder of the Exchangeable Transferor Security may specify upon an Exchange, pursuant to Section 6.9 of the Agreement, that the purchaser of a newly issued Series deposit payment therefor, in full or in part, in the Principal Funding Account in an amount not to exceed the sum of the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount on such date. In addition, during the Revolving Period amounts may be deposited in the Principal Funding Account at the direction of the Transferor pursuant to subsection 4.9(b) of the Agreement.

During the Revolving Period, upon the direction of

the Transferor any amounts on deposit in the Principal Funding Account, up to the sum of the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount, may, or upon the occurrence of a Pay Out Event shall, be deposited in the Principal Account for distribution to be applied to the payment, on a pro rata basis, of Class A Principal, Class B Principal and Class C Principal. Such amounts shall be applied and paid in accordance with Section 5.1 of the Agreement. Subsequent to any reduction of the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount as a result of payments pursuant to this Section 9A, the Class A Invested Amount, Class B Invested Amount and Class C Invested Amount may be increased pursuant to the terms and conditions set forth in Section 6.15 of the Agreement.

(c) Notwithstanding anything else in the Agreement to the contrary, during the Revolving Period no amounts may be applied to the payment of Class A Principal, Class B Principal or Class C Principal pursuant to this Section 9A if such payment would reduce the ABC Invested Amount to below \$4,000,000 unless such payment shall be made on the Business Day immediately preceding to the Series 1998-3 Termination Date.

SECTION 10. Legends; Transfer and Exchange; Restrictions on Transfer of Series 1998-3 Securities; Tax Treatment.

Each Class A Security, Class B Security and Class C Security will bear a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A ("QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE TRANSFEROR. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY IS DEEMED TO REPRESENT AND WARRANT THAT IT IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. THE TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN. EACH CLASS [A] [B] [C] SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY FURTHER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT AND WILL NOT BECOME A PARTNERSHIP, SUBCHAPTER S CORPORATION OR GRANTOR TRUST FOR UNITED STATES FEDERAL INCOME TAX PURPOSES FOR SO LONG AS SUCH PURCHASER HOLDS A BENEFICIAL INTEREST IN THIS SECURITY.

THIS SECURITY MAY NOT BE ACQUIRED BY OR SOLD, TRADED OR TRANSFERRED TO A PERSON WHO IS NOT EITHER (A)(I) A CITIZEN OR RESIDENT OF THE UNITED STATES, (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANIZED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR (III) A PERSON NOT DESCRIBED IN (I) OR (II) WHOSE OWNERSHIP OF THE CLASS [A] [B] [C] SECURITIES IS EFFECTIVELY CONNECTED WITH SUCH PERSON'S CONDUCT OF A TRADE OR BUSINESS WITHIN THE UNITED STATES (WITHIN THE MEANING OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) AND ITS OWNERSHIP OF ANY INTEREST IN A CLASS [A] [B] [C] SECURITY WILL NOT RESULT IN ANY WITHHOLDING OBLIGATION WITH RESPECT TO ANY PAYMENTS WITH RESPECT TO THE CLASS [A] [B] [C] SECURITIES BY ANY PERSON (OTHER THAN WITHHOLDING, IF ANY, UNDER SECTION 1446 OF THE CODE) OR (B) AN ESTATE THE INCOME OF WHICH IS INCLUDIBLE IN GROSS INCOME FOR UNITED STATES FEDERAL INCOME TAX PURPOSES OR ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND ONE OR MORE

UNITED STATES FIDUCIARIES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. THIS SECURITY MAY NOT BE ACQUIRED, SOLD, TRADED OR TRANSFERRED, NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET" WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS [A] [B] [C] SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS [A] [B] [C] SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

Each Class A Security, Class B Security and Class C Security will bear a legend substantially in the following form:

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE, OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING FOR PURPOSES OF CLAUSES (IV) AND (V), ANY INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

Each Class D Security will bear a legend substantially in the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. FINGERHUT RECEIVABLES, INC. SHALL BE PROHIBITED FROM TRANSFERRING ANY INTEREST IN OR PORTION OF THIS SECURITY UNLESS, PRIOR TO SUCH TRANSFER, IT SHALL HAVE DELIVERED TO THE TRUSTEE AN OPINION OF COUNSEL TO THE EFFECT THAT SUCH PROPOSED TRANSFER WILL NOT ADVERSELY AFFECT THE FEDERAL INCOME TAX CHARACTERIZATION OF ANY OUTSTANDING SERIES OF INVESTOR SECURITIES. THE TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT

LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET" WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS D SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS D SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

Fingerhut Receivables, Inc. shall be prohibited from transferring any interest in or portion of the Class D Securities unless, prior to such Transfer, it shall have delivered to the Trustee an Opinion of Counsel to the effect that such proposed Transfer will not adversely affect the Federal, Minnesota or Delaware income tax characterization of any outstanding Series of Investor Securities or the taxability (or tax characterization) of the Trust under Federal, Minnesota or Delaware income tax laws. In no event shall any interest in or portion of the Class D Securities be transferred to Fingerhut. As a condition to transfer of an interest in or portion of the Class D Securities the transferee shall be required to agree not to institute against, or join any other Person in instituting against, the Trust any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after all Investor Securities are paid in full. The Transferor shall provide prompt written notice to the Rating Agencies of any such transfer.

Transfers and exchanges of Class A Securities, Class B Securities and Class C Securities shall be subject to the restrictions set forth in this Section 10, to such restrictions as shall be set forth in the text of the Class A Securities, Class B Securities and Class C Securities, and, such reasonable regulations as may be prescribed by the Transferor. Upon surrender for registration of transfer of a Class A Security, Class B Security or Class C Security at the office of the Transfer Agent and Registrar, accompanied by a certification by the potential purchaser substantially in the form attached as Exhibit D executed by such purchaser or by such purchaser's attorney thereunto duly authorized in writing, such Class A Security, Class B Security or Class C Security shall be transferred upon the register, and the Transferor shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferees one or more new registered Class A Securities, Class B Securities or Class C Securities of any authorized denominations and of a like aggregate principal amount and tenor. Successive registrations and registrations of transfers as aforesaid may be made from time to time as desired, and each such registration shall be noted on the register.

No transfer of a Class A Security, Class B Security or Class C Security will be permitted to be made to a Benefit Plan. Each person acquiring a Class A Security, Class B Security or Class C Security or the beneficial ownership of a Class A Security, Class B Security or Class C Security will be deemed to represent to the Trustee, the Transferor and the Servicer that it is not (i) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Internal Revenue Code, (iii) a governmental plan, as defined in Section 3(32) of ERISA, subject to any federal, state or local law which is, to a material extent, similar to the provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code, (iv) an entity whose underlying assets include plan assets (as defined in 29 C.F.R. Section 2510.3-101 or otherwise under ERISA) by reason of a plan's investment in the entity or (v) a person investing plan assets of any such plan (including for purposes of clauses (iv) and (v), insurance company general account, but excluding any entity registered under the Investment

Company Act of 1940, as amended).

The Class A Securityholders, Class B Securityholders or Class C Securityholders shall comply with their obligations under Section 3.7 of the Agreement with respect to the tax treatment of the Class A Securities, Class B Securities or Class C Securities, except to the extent that a relevant taxing authority has disallowed such treatment.

In accordance with Section 6.2 of the Agreement, no sale, assignment, participation, pledge, hypothecation, transfer or other disposition (a "Transfer") of a Class A Security, Class B Security or Class C Security (or any interest therein) shall be made unless the Transferor shall have granted its prior consent thereto, which consent may not be unreasonably withheld; provided, however, that for purposes of this sentence, it shall in all cases be reasonable for the Transferor to withhold consent to such proposed sale, assignment, participation, pledge, hypothecation, transfer or other disposition of all or any part of a Class A Security, Class B Security or Class C Security (or any interest therein) if the transaction would, if effected, give rise to any adverse tax consequence or if such Transfer would create more than an insubstantial risk that the Trust would be classified for federal or any applicable state tax purposes as an association or publicly traded partnership taxable as a corporation, each as determined in the sole and absolute discretion of the Transferor; provided, further, that any attempted Transfer that would cause the number of Targeted Holders (as defined herein) to exceed one-hundred shall be void.

Each purchaser of an interest in a Class A Security, Class B Security or Class C Security shall certify that it is a Person who is either (A)(i) a citizen or resident of the United States, (ii) a corporation or other entity organized in or under the laws of the United States or any political subdivision thereof or (iii) a Person not described in (i) or (ii) whose ownership of the Class A Securities, Class B Securities or Class C Securities is effectively connected with such person's conduct of a trade or business within the United States (within the meaning of the Internal Revenue Code) and whose ownership of any interest in a Class A Security, Class B Security or Class C Security will not result in any withholding obligation with respect to any payments with respect to the Class A Securities, Class B Securities or Class C Securities, as applicable, by any Person or (B) an estate the income of which is includible in gross income for United States federal income tax purposes or any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust. Each such purchaser shall agree that if they are a Person described in clause (A)(iii) above, they will furnish to the Person from whom they are acquiring a Class A Security, Class B Security or Class C Security, the Servicer and the Trustee, a properly executed U.S. Internal Revenue Service Form 4224 and a new Form 4224, or any successor applicable form, upon the expiration or obsolescence of any previously delivered form (and such other certifications, representations or opinions of counsel as may be requested by the Transferor, the Servicer or the Trustee).

Each purchaser of an interest in a Class A Security, Class B Security or Class C Security shall certify that if it is not created or organized under the laws of the United States or any State thereof (including the District of Columbia) it will, upon written notice by the Transferor that the Transferor intends, pursuant to Section 1446 or other applicable section of the Internal Revenue Code, to withhold U.S. tax (a "Withholding Tax") from amounts paid or accruing hereunder to such purchaser (such determination being a "Withholding Event"), for tax years for which the purchaser has already filed U.S. federal income tax returns (each a "Prior Tax Year") prior to proper notice of such Withholding Event, provide (A) a signed

officer's certificate of such purchaser stating that amounts paid or accruing hereunder have been included in such purchaser's U.S. federal income tax returns for each such Prior Tax Year, which certificate may be relied on by the Transferor in asserting to the Internal Revenue Service the applicability of Section 1463 of the Internal Revenue Code with respect to any Withholding Tax for each such Prior Tax Year and (B) provide information to the Transferor or, at the option of such purchaser, to the Internal Revenue Service in support of the application of Section 1463 of the Internal Revenue Code for each such Prior Tax Year.

Each purchaser of an interest in a Class A Security, Class B Security or Class C Security shall certify that it is not and will not become a partnership, subchapter S corporation or grantor trust for United States federal income tax purposes for so long as such purchaser holds a beneficial interest in such Class A Security, Class B Security or Class C Security, respectively.

Each purchaser of an interest in a Class A Security, Class B Security or Class C Security shall certify that it has neither acquired nor will it Transfer the Class A Security, Class B Security or Class C Security (or any interest therein) or cause the Class A Security, Class B Security or Class C Security (or any interest therein) to be marketed on or through an "established securities market" within the meaning of Section 7704(b)(1) of the Internal Revenue Code, and any treasury regulation thereunder, including, without limitation, an over-the-counter market or an interdealer quotation system that regularly disseminates firm buy or sell quotations. Such purchaser shall acknowledge that it is aware that the opinion of special tax counsel to the Transferor regarding the Trust's status is dependent in part on the accuracy of the preceding sentence.

Each of the Transferor and the Servicer hereby agrees and consents to the assignment by each Conduit Purchaser from time to time of all or any part of its rights under, interest in and title to this Agreement and the Senior Securities of its Purchaser Group to any Liquidity Provider or Program Support Provider for such Conduit Purchaser. In addition, each of the Transferor and the Servicer hereby consents to the assignment by each Conduit Purchaser of all of its rights under, interest in and title to its Purchaser Group Percentage of the Class A Invested Amount, the Class B Invested Amount and/or the Class C Invested Amount, as applicable, to the related Alternate Purchaser in the event such Conduit Purchaser determines not to fund any Additional Invested Amount hereunder. Notwithstanding anything to the contrary in this subsection 10(n), the Transferor and the Servicer do not consent to the assignment by each Conduit Purchaser of all or any part of its rights under, interest in and title to (i) the Senior Securities of its Purchaser Group or (ii) its Purchaser Group Percentage of the Class A Invested Amount, the Class B Invested Amount and/or the Class C Invested Amount, as applicable, in each case if (A) such attempted assignment will cause the number of Persons in any Purchaser Group holding any interests described above to exceed five (5) or (B) such attempted transfer would cause the number of Targeted Holders to exceed one-hundred.

SECTION 11. Ratification of Agreement. As supplemented by this Series Supplement, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Series Supplement shall be read, taken, and construed as one and the same instrument.

SECTION 12. Counterparts. This Series Supplement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 13. FCI Note. The Transferor has received a note from Fingerhut Companies Inc. in the amount of \$18,000,000

(such note, together with any additional notes of Fingerhut Companies Inc. held by the Transferor at any time, the "FCI Note"). The Transferor hereby agrees that at no time shall the aggregate principal amount of the FCI Note be less than \$1,000,000 (the "FCI Note Required Amount"). The FCI Note may not be sold, transferred, assigned, pledged, hypothecated, participated or otherwise conveyed or encumbered, nor may the Transferor grant any security interest in the FCI Note.

SECTION 14. GOVERNING LAW. THIS SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 15. Instructions in Writing. All instructions or other communications given by the Servicer or any other person to the Trustee pursuant to this Series Supplement shall be in writing, and, with respect to the Servicer, may be included in a Daily Report or Settlement Statement.

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this Series Supplement to be duly executed by their respective officers as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
Transferor

By: /s/ James M. Wehmann
Name: James M. Wehmann
Title: President and Treasurer

FINGERHUT NATIONAL BANK
Servicer

By: /s/ James M. Wehman
Name: James M. Wehmann
Title: Treasurer

THE BANK OF NEW YORK (DELAWARE)
Trustee

By: /s/ Cheryl L. Laser
Name: Cheryl L. Laser
Title: Assistant Vice President

EXHIBIT A-1

[FORM OF VARIABLE FUNDING ASSET BACKED SECURITY, CLASS A]

FINGERHUT MASTER TRUST
VARIABLE FUNDING TRUST SECURITY
SERIES 1998-3, CLASS A

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN

COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A ("QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE TRANSFEROR. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY IS DEEMED TO REPRESENT AND WARRANT THAT IT IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. THE TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN. EACH CLASS A SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY FURTHER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT AND WILL NOT BECOME A PARTNERSHIP, SUBCHAPTER S CORPORATION OR GRANTOR TRUST FOR UNITED STATES FEDERAL INCOME TAX PURPOSES FOR SO LONG AS SUCH PURCHASER HOLDS A BENEFICIAL INTEREST IN THIS SECURITY.

THIS SECURITY MAY NOT BE ACQUIRED BY OR SOLD, TRADED OR TRANSFERRED TO A PERSON WHO IS NOT EITHER (A)(I) A CITIZEN OR RESIDENT OF THE UNITED STATES, (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANIZED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR (III) A PERSON NOT DESCRIBED IN (I) OR (II) WHOSE OWNERSHIP OF THE CLASS A SECURITIES IS EFFECTIVELY CONNECTED WITH SUCH PERSON'S CONDUCT OF A TRADE OR BUSINESS WITHIN THE UNITED STATES (WITHIN THE MEANING OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) AND ITS OWNERSHIP OF ANY INTEREST IN A CLASS A SECURITY WILL NOT RESULT IN ANY WITHHOLDING OBLIGATION WITH RESPECT TO ANY PAYMENTS WITH RESPECT TO THE CLASS A SECURITIES BY ANY PERSON (OTHER THAN WITHHOLDING, IF ANY, UNDER SECTION 1446 OF THE CODE) OR (B) AN ESTATE THE INCOME OF WHICH IS INCLUDIBLE IN GROSS INCOME FOR UNITED STATES FEDERAL INCOME TAX PURPOSES OR ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND ONE OR MORE UNITED STATES FIDUCIARIES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. THIS SECURITY MAY NOT BE ACQUIRED, SOLD, TRADED OR TRANSFERRED, NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET" WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS A SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS A SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE, OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN

ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING FOR PURPOSES OF CLAUSES (IV) AND (V), ANY INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. Percentage Interest: ____%

FINGERHUT MASTER TRUST
VARIABLE FUNDING TRUST SECURITY
SERIES 1998-3, CLASS A

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-3 Supplement, dated as of July 30, 1998 (the "Series 1998-3 Supplement"), among the Transferor, the Servicer and the Trustee (the Pooling and Servicing Agreement, as supplemented by the Series 1998-3 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under (i) the Trust Property (as defined in the Agreement) and (ii) the property described in Section 3A of the Series 1998-3 Supplement and Section 4.5 of the Agreement.

This Security does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of securities entitled the "Fingerhut Master Trust Variable Funding Asset Backed Security, Series 1998-3, Class A" (the "Class A Securities"), and represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound. In the case of any conflict between terms specified in this Security and terms specified in the Agreement, the terms of the Agreement shall govern.

The Transferor has structured the Agreement, the Class A Securities, the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class B (the "Class B Securities") and the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class C (the "Class C Securities") with the intention that the Class A Securities, the Class B Securities and the Class C Securities will qualify under applicable tax law as indebtedness, and both the Transferor and

each holder of a Class A Security (a "Class A Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class A Security for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

Upon issuance, the Class A Security represents the right to receive, on each Business Day, an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections for such Business Day and (y) the sum of (A) an amount equal to the product of (i) the Class A Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class A Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day plus (B) the excess, if any, of the amount payable to the Class A Securityholders pursuant to clause (A) on each prior Business Day over the amount which has been paid to the Class A Securityholders with respect thereto on each prior Business Day. Such amounts shall be payable on the 15th day of each month commencing September 15, 1998, or if such day is not a business day, on the next succeeding business day (each, a "Distribution Date") or on such other, more frequent, dates as described in Section 4.11 of the Agreement.

Unless there is any Extension, on the earlier of the first day of the August 2001 Monthly Period and the Pay Out Commencement Date, interest and principal will be distributed to the Class A Securityholders on each Business Day prior to the Series 1998-3 Termination Date. If in accordance with Section 6.17 of the Agreement, the Transferor elects to issue an Extension Notice and the conditions precedent for Extension specified therein have been satisfied, no principal will be payable with respect to the Class A Securities until the date specified in such Extension Notice or in the last of any subsequent Extension Notices. Interest for any Business Day due but not paid on any Business Day will be due on the next succeeding Business Day.

On any Business Day during the Revolving Period, the Transferor may specify an amount, to be deposited into the Principal Funding Account. Any amounts so deposited, shall be paid, on a pro rata basis, to the Class A Securityholders, the Class B Securityholders and the Class C Securityholders in accordance with Section 9A of the Agreement and upon payment shall reduce the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount by amounts equal to any such payments. In addition the Transferor may specify, upon the issuance of a new Series pursuant to an Exchange made at any time during the Revolving Period, that the proceeds of such issuance be deposited into the Principal Funding Account for payment to the Senior Securityholders pursuant to Section 9A of the Agreement. The Class A Invested Amount will be reduced by an amount equal to the amount of any such payments made to the Class A Securityholder.

During the Amortization Period, no principal will be payable to the Class B Securityholders, or Class C Securityholders until all principal payments have been made to the Class A Securityholders.

In addition, pursuant to Section 6.15 of the Agreement, the holders of this Security may from time to time be required, prior to the Increase Termination Date, to purchase Additional Class A Invested Amounts on the terms and conditions specified therein. The holder of this Security is authorized to record on the grid attached to its Class A Security (or at such Securityholder's option, in its internal books and records) the date and amount of any Additional Invested Amount purchased by it, and each repayment thereof; provided that failure to make any such recordation on such grid or any error in such grid shall not adversely affect such Securityholder's rights with respect to its Class A Invested Amount and its right to receive interest payments in respect of the Class A Invested Amount held by such

Securityholder.

"Class A Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class A Initial Invested Amount minus (b) the aggregate amount of principal payments made to Class A Securityholders through and including such Business Day, minus (c) the aggregate amount of Class A Charge-Offs for all prior Distribution Dates, plus (d) the sum of the aggregate amount applied through and including such Business Day pursuant to subsection 4.9(a)(vii) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and Section 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clause (c) and plus (e) the aggregate principal amount of any Additional Class A Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class A Invested Amount shall in no event be reduced below zero or greater than the Class A Maximum Invested Amount.

Subject to the Agreement, payments of principal are limited to the unpaid Class A Invested Amount of the Class A Securities, which may be less than the unpaid balance of the Class A Securities pursuant to the terms of the Agreement. All principal of and interest on the Class A Securities are due and payable no later than the earlier to occur of (i) the day after the Distribution Date on which the Series 1998-3 Securities are paid in full or (ii) the first day of the February 2006 Monthly Period or such earlier date set forth in an Extension Notice, if any (the "Series 1998-3 Termination Date"). After the Series 1998-3 Termination Date neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class A Securities. In the event that the Class A Invested Amount is greater than zero on the Series Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Series 1998-3 Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the Class C Securityholders pro rata in final payment of the Class C Securities and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed under its official seal.

FINGERHUT RECEIVABLES, INC.

By: _____
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is the Class A Security referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK

By: _____
Name:
Title:

Date	Beginning Principal Balance	Additions	Payments Principal Balance	Ending
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Exhibit A-2

[FORM OF VARIABLE FUNDING ASSET BACKED SECURITY, CLASS B]

FINGERHUT MASTER TRUST
VARIABLE FUNDING ASSET BACKED SECURITY
SERIES 1998-3, CLASS B

THIS

SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A ("QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE TRANSFEROR. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY IS DEEMED TO REPRESENT AND WARRANT THAT IT IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. THE TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN. EACH CLASS B SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY FURTHER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT AND WILL NOT BECOME A PARTNERSHIP, SUBCHAPTER S CORPORATION OR GRANTOR TRUST FOR UNITED STATES FEDERAL INCOME TAX PURPOSES FOR SO LONG AS SUCH PURCHASER HOLDS A BENEFICIAL INTEREST IN THIS SECURITY.

THIS SECURITY MAY NOT BE ACQUIRED BY OR SOLD, TRADED OR TRANSFERRED TO A PERSON WHO IS NOT EITHER (A)(I) A CITIZEN OR RESIDENT OF THE UNITED STATES, (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANIZED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR (III) A PERSON NOT DESCRIBED IN (I) OR (II) WHOSE OWNERSHIP OF THE CLASS B SECURITIES IS EFFECTIVELY CONNECTED WITH SUCH PERSON'S CONDUCT OF A TRADE OR BUSINESS WITHIN THE UNITED STATES (WITHIN THE MEANING OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) AND ITS OWNERSHIP OF ANY INTEREST IN A CLASS B SECURITY WILL NOT RESULT IN ANY WITHHOLDING OBLIGATION WITH RESPECT TO ANY PAYMENTS WITH RESPECT TO THE CLASS B SECURITIES BY ANY PERSON (OTHER THAN

WITHHOLDING, IF ANY, UNDER SECTION 1446 OF THE CODE) OR (B) AN ESTATE THE INCOME OF WHICH IS INCLUDIBLE IN GROSS INCOME FOR UNITED STATES FEDERAL INCOME TAX PURPOSES OR ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND ONE OR MORE UNITED STATES FIDUCIARIES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. THIS SECURITY MAY NOT BE ACQUIRED, SOLD, TRADED OR TRANSFERRED, NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET" WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS B SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS B SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE, OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING FOR PURPOSES OF CLAUSES (IV) AND (V), ANY INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. Percentage Interest: ____%

FINGERHUT MASTER TRUST
VARIABLE FUNDING ASSET BACKED SECURITY
SERIES 1998-3, CLASS B

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the

Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-3 Supplement, dated as of July 30, 1998 (the "Series 1998-3 Supplement"), among the Transferor, the Servicer and the Trustee (the Pooling and Servicing Agreement, as supplemented by the Series 1998-3 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under (i) the Trust Property (as defined in the Agreement) and (ii) the property described in Section 3A of the Series 1998-3 Supplement and Section 4.5 of the Agreement.

This Security does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class B" (the "Class B Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound. In the case of any conflict between terms specified in this Security and terms specified in the Agreement, the terms of the Agreement shall govern.

The Transferor has structured the Agreement, the Class B Securities, the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class A (the "Class A Securities") and the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class C (the "Class C Securities") with the intention that the Class A Securities, the Class B Securities and the Class C Securities will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class B Security (a "Class B Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class B Security for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

Upon issuance, the Class B Security represents the right to receive, on each Business Day, an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections for such Business Day and (y) the sum of (A) an amount equal to the product of (i) the Class B Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class B Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day plus (B) the excess, if any, of the amount payable to the Class A Securityholders pursuant to clause (A) on each prior Business Day over the amount which has been paid to the Class B Securityholders with respect thereto on each prior Business Day. Such amounts shall be payable on the 15th day of each month commencing September 15, 1998, or if such day is not a business day, on the next succeeding business day (each, a "Distribution Date") or on such other, more frequent, dates as described in Section 4.11 of the Agreement.

On the Class B Principal Payment Commencement Date interest and principal will be distributed to the Class B Securityholders on each Business Day prior to the Series 1998-3 Termination Date. Interest for any Business Day due but not paid

on any Business Day will be due on the next succeeding Business Day.

On any Business Day during the Revolving Period, the Transferor may specify an amount, to be deposited into the Principal Funding Account. Any amounts so deposited, shall be paid, on a pro rata basis, to the Class A Securityholders, the Class B Securityholders and the Class C Securityholders in accordance with Section 9A of the Agreement and upon payment shall reduce the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount by amounts equal to any such payments. In addition the Transferor may specify, upon the issuance of a new Series pursuant to an Exchange made at any time during the Revolving Period, that the proceeds of such issuance be deposited into the Principal Funding Account for payment to the Senior Securityholders pursuant to Section 9A of the Agreement. The Class B Invested Amount will be reduced by an amount equal to the amount of any such payments made to the Class B Securityholder.

After the Amortization Period Commencement Date no principal will be payable to the Class B Securityholders until the Class B Principal Payment Commencement Date, which is the Business Day either on or following the Distribution Date, on which the Class A Invested Amount had been paid in full. During the Amortization Period, no principal will be payable to the Class B Securityholders until all principal payments have been made to the Class A Securityholders and no principal payments will be made to the Class C Securityholder until the Business Day either on or following the Business Day on which the Class B Invested Amount has been paid in full.

In addition, pursuant to Section 6.15 of the Agreement, the holders of this Security may from time to time be required, prior to the Increase Termination Date, to purchase Additional Class B Invested Amounts on the terms and conditions specified therein. The holder of this Security is authorized to record on the grid attached to its Class B Security (or at such Securityholder's option, in its internal books and records) the date and amount of any Additional Invested Amount purchased by it, and each repayment thereof; provided that failure to make any such recordation on such grid or any error in such grid shall not adversely affect such Securityholder's rights with respect to its Class B Invested Amount and its right to receive interest payments in respect of the Class B Invested Amount held by such Securityholder.

"Class B Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class B Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class B Securityholders through and including such Business Day, minus (c) the aggregate amount of Class B Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections for which neither the Class D Invested Amount nor the Class C Invested Amount has been reduced on all prior Distribution Dates pursuant to Section 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount applied through and including such Business Day pursuant to subsection 4.9(a)(viii) of the Agreement (including with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) and Section 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (c) and (d), and plus (f) the aggregate principal amount of any Additional Class B Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class B Invested Amount shall in no event be reduced below zero or greater than the Class B Maximum Invested Amount.

Subject to the Agreement, payments of principal are limited to the unpaid Class B Invested Amount of the Class B Securities, which may be less than the unpaid balance of the Class B Securities pursuant to the terms of the Agreement. All

principal of and interest on the Class B Securities are due and payable no later than the earlier to occur of (i) the day after the Business Day on which the Series 1998-3 Securities are paid in full or (ii) the first day of the February 2006 Monthly Period or such earlier date set forth in an Extension Notice, if any (the "Series 1998-3 Termination Date"). After the Series 1998-3 Termination Date neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class B Securities. In the event that the Class B Invested Amount is greater than zero on the Series 1998-3 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the Class C Securityholders pro rata in final payment of the Class C Securities and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed under its official seal.

FINGERHUT RECEIVABLES, INC.

By: _____
 Name:
 Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK

By: _____
 Name:
 Title:

Date	Beginning	Additions	Payments	Ending
	Principal		Principal	
	Balance		Balance	

[FORM OF VARIABLE FUNDING ASSET BACKED SECURITY, CLASS C]

FINGERHUT MASTER TRUST
VARIABLE FUNDING TRUST SECURITY
SERIES 1998-3, CLASS C

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A ("QIB") PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR TO THE TRANSFEROR. EACH SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY IS DEEMED TO REPRESENT AND WARRANT THAT IT IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB. THE TRANSFER OF THIS SECURITY IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN. EACH CLASS C SECURITY OWNER BY ACCEPTING A BENEFICIAL INTEREST IN THIS SECURITY FURTHER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT AND WILL NOT BECOME A PARTNERSHIP, SUBCHAPTER S CORPORATION OR GRANTOR TRUST FOR UNITED STATES FEDERAL INCOME TAX PURPOSES FOR SO LONG AS SUCH PURCHASER HOLDS A BENEFICIAL INTEREST IN THIS SECURITY.

THIS SECURITY MAY NOT BE ACQUIRED BY OR SOLD, TRADED OR TRANSFERRED TO A PERSON WHO IS NOT EITHER (A)(I) A CITIZEN OR RESIDENT OF THE UNITED STATES, (II) A CORPORATION, PARTNERSHIP OR OTHER ENTITY ORGANIZED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF OR (III) A PERSON NOT DESCRIBED IN (I) OR (II) WHOSE OWNERSHIP OF THE CLASS C SECURITIES IS EFFECTIVELY CONNECTED WITH SUCH PERSON'S CONDUCT OF A TRADE OR BUSINESS WITHIN THE UNITED STATES (WITHIN THE MEANING OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) AND ITS OWNERSHIP OF ANY INTEREST IN A CLASS C SECURITY WILL NOT RESULT IN ANY WITHHOLDING OBLIGATION WITH RESPECT TO ANY PAYMENTS WITH RESPECT TO THE CLASS C SECURITIES BY ANY PERSON (OTHER THAN WITHHOLDING, IF ANY, UNDER SECTION 1446 OF THE CODE) OR (B) AN ESTATE THE INCOME OF WHICH IS INCLUDIBLE IN GROSS INCOME FOR UNITED STATES FEDERAL INCOME TAX PURPOSES OR ANY TRUST IF A COURT WITHIN THE UNITED STATES IS ABLE TO EXERCISE PRIMARY SUPERVISION OVER THE ADMINISTRATION OF THE TRUST AND ONE OR MORE UNITED STATES FIDUCIARIES HAVE THE AUTHORITY TO CONTROL ALL SUBSTANTIAL DECISIONS OF THE TRUST.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. THIS SECURITY MAY NOT BE ACQUIRED, SOLD, TRADED OR TRANSFERRED, NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET"

WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS C SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS C SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

EACH PURCHASER REPRESENTS AND WARRANTS FOR THE BENEFIT OF FINGERHUT RECEIVABLES, INC. THAT SUCH PURCHASER IS NOT (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, (III) A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, SUBJECT TO ANY FEDERAL, STATE, OR LOCAL LAW WHICH IS, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (IV) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS (AS DEFINED IN 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE UNDER ERISA) BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY OR (V) A PERSON INVESTING PLAN ASSETS OF ANY SUCH PLAN (INCLUDING FOR PURPOSES OF CLAUSES (IV) AND (V), ANY INSURANCE COMPANY GENERAL ACCOUNT, BUT EXCLUDING ANY ENTITY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED).

No. Percentage Interest: ____%

FINGERHUT MASTER TRUST
VARIABLE FUNDING TRUST SECURITY
SERIES 1998-3, CLASS C

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivables, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that _____ (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment thereto) by and between Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as the Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-3 Supplement, dated as of July 30, 1998 (the "Series 1998-3 Supplement"), among the Transferor, the Servicer and the Trustee (the Pooling and Servicing Agreement, as supplemented by the Series 1998-3 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under (i) the Trust Property (as defined in the Agreement) and (ii) the property described in Section 3A of the Series 1998-3 Supplement and Section 4.5 of the Agreement.

This Security does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein,

the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class C" (the "Class C Securities"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound. In the case of any conflict between terms specified in this Security and terms specified in the Agreement, the terms of the Agreement shall govern.

The Transferor has structured the Agreement, the Class C Securities, the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class A (the "Class A Securities") and the Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class B (the "Class B Securities") with the intention that the Class A Securities, the Class B Securities and the Class C Securities will qualify under applicable tax law as indebtedness, and both the Transferor and each holder of a Class C Security (a "Class C Securityholder") or any interest therein by acceptance of its Security or any interest therein, agrees to treat the Class C Security for purposes of federal, state and local income or franchise taxes and any other tax imposed on or measured by income, as indebtedness.

Upon issuance, the Class C Security represents the right to receive, on each Business Day, an amount equal to the lesser of (x) the Available Series 1998-3 Finance Charge Collections for such Business Day and (y) the sum of (A) an amount equal to the product of (i) the Class C Interest Rate and (ii) a fraction the numerator of which is the actual number of days from and including the immediately preceding Business Day to but excluding such Business Day and the denominator of which is 365 or 366, as the case may be, and (iii) the Class C Outstanding Principal Amount on such Business Day after giving effect to all transactions on such Business Day plus (B) the excess, if any, of the amount payable to the Class A Securityholders pursuant to clause (A) on each prior Business Day over the amount which has been paid to the Class C Securityholders with respect thereto on each prior Business Day. Such amounts shall be payable on the 15th day of each month commencing September 15, 1998, or if such day is not a business day, on the next succeeding business day (each, a "Distribution Date") or on such other, more frequent, dates as described in Section 4.11 of the Agreement.

On the Class C Principal Payment Commencement Date interest and principal will be distributed to the Class C Securityholders on each Business Day prior to the Series 1998-3 Termination Date. Interest for any Business Day due but not paid on any Business Day will be due on the next succeeding Business Day.

On any Business Day during the Revolving Period, the Transferor may specify an amount, to be deposited into the Principal Funding Account. Any amounts so deposited, shall be paid, on a pro rata basis, to the Class A Securityholders, the Class B Securityholders and the Class C Securityholders in accordance with Section 9A of the Agreement and upon payment shall reduce the Class A Invested Amount, the Class B Invested Amount and the Class C Invested Amount by amounts equal to any such payments. In addition the Transferor may specify, upon the issuance of a new Series pursuant to an Exchange made at any time during the Revolving Period, that the proceeds of such issuance be deposited into the Principal Funding Account for payment to the Senior Securityholders pursuant to Section 9A of the Agreement. The Class C Invested Amount will be reduced by an amount equal to the amount of any such payments made to the Class C Securityholder.

After the Amortization Period Commencement Date no

principal will be payable to the Class C Securityholders until the Class C Principal Payment Commencement Date, which is the Business Day either on or following the Business Day, on which the Class B Invested Amount had been paid in full. During the Amortization Period, no principal will be payable to the Class C Securityholders until all principal payments have been made to the Class B Securityholders.

In addition, pursuant to Section 6.15 of the Agreement, the holders of this Security may from time to time be required, prior to the Increase Termination Date, to purchase Additional Class C Invested Amounts on the terms and conditions specified therein. The holder of this Security is authorized to record on the grid attached to its Class C Security (or at such Securityholder's option, in its internal books and records) the date and amount of any Additional Invested Amount purchased by it, and each repayment thereof; provided that failure to make any such recordation on such grid or any error in such grid shall not adversely affect such Securityholder's rights with respect to its Class C Invested Amount and its right to receive interest payments in respect of the Class C Invested Amount held by such Securityholder.

"Class C Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class C Initial Invested Amount, minus (b) the aggregate amount of principal payments made to Class C Securityholders through and including such Business Day, minus (c) the aggregate amount of Class C Charge-Offs for all prior Distribution Dates, minus (d) the aggregate amount of Redirected Class B Principal Collections and Redirected Class C Principal Collections for which the Class D Invested Amount has not been reduced on all prior Distribution Dates pursuant to Section 4.14(d) of the Agreement, plus (e) the sum of the aggregate amount applied through and including such Business Day pursuant to subsections 4.9(a)(ix) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b), 4.16(b) and Section 4.14 of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (c) and (d), and plus (f) the aggregate principal amount of any Additional Class C Invested Amounts purchased pursuant to Section 6.15 of the Agreement; provided, however, that the Class C Invested Amount shall in no event be reduced below zero or greater than the Class C Maximum Invested Amount.

Subject to the Agreement, payments of principal are limited to the unpaid Class C Invested Amount of the Class C Securities, which may be less than the unpaid balance of the Class C Securities pursuant to the terms of the Agreement. All principal of and interest on the Class C Securities are due and payable no later than the earlier to occur of (i) the day after the Business Day on which the Series 1998-3 Securities are paid in full or (ii) the first day of the February 2006 Monthly Period or such earlier date set forth in an Extension Notice, if any (the "Series 1998-3 Termination Date"). After the Series 1998-3 Termination Date neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class C Securities. In the event that the Class C Invested Amount is greater than zero on the Series 1998-3 Termination Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the Class C Securityholders pro rata in final payment of the Class C Securities and finally to the Class D Securityholders pro rata in final payment of the Class D Securities.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed under its official seal.

FINGERHUT RECEIVABLES, INC.

By: _____
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class C Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK

By: _____
Name:
Title:

Date	Beginning Principal Balance	Additions	Payments Principal Balance	Ending
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Exhibit A-4

[FORM OF VARIABLE FUNDING ASSET BACKED SECURITY, CLASS D]

FINGERHUT MASTER TRUST
VARIABLE FUNDING ASSET BACKED SECURITY
SERIES 1998-3, CLASS D

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OF ANY STATE AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW. FINGERHUT RECEIVABLES, INC. SHALL BE PROHIBITED FROM TRANSFERRING ANY INTEREST IN OR PORTION OF THIS SECURITY UNLESS, PRIOR TO SUCH TRANSFER, IT SHALL HAVE DELIVERED TO THE TRUSTEE AN OPINION OF COUNSEL TO THE EFFECT THAT SUCH PROPOSED TRANSFER WILL NOT ADVERSELY AFFECT THE FEDERAL INCOME TAX CHARACTERIZATION OF ANY OUTSTANDING SERIES OF INVESTOR SECURITIES. THE TRANSFER OF THIS SECURITY IS

SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN.

NO SALE, ASSIGNMENT, PARTICIPATION, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION OF THIS SECURITY (OR ANY INTEREST THEREIN) SHALL BE MADE UNLESS THE TRANSFEROR SHALL HAVE GRANTED ITS PRIOR CONSENT THERETO, WHICH CONSENT MAY NOT BE UNREASONABLY WITHHELD. NOR MAY AN INTEREST IN THIS SECURITY BE MARKETED, ON OR THROUGH (I) AN "ESTABLISHED SECURITIES MARKET" WITHIN THE MEANING OF SECTION 7704(b)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING, WITHOUT LIMITATION, AN OVER-THE-COUNTER-MARKET OR AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS OR (II) A "SECONDARY MARKET" WITHIN THE MEANING OF SECTION 7704(b)(2) OF THE CODE AND ANY PROPOSED, TEMPORARY OR FINAL TREASURY REGULATION THEREUNDER, INCLUDING A MARKET WHEREIN INTERESTS IN THE CLASS D SECURITIES ARE REGULARLY QUOTED BY ANY PERSON MAKING A MARKET IN SUCH INTERESTS AND A MARKET WHEREIN ANY PERSON REGULARLY MAKES AVAILABLE BID OR OFFER QUOTES WITH RESPECT TO INTERESTS IN THE CLASS D SECURITIES AND STANDS READY TO EFFECT BUY OR SELL TRANSACTIONS AT THE QUOTED PRICES FOR ITSELF OR ON BEHALF OF OTHERS.

No. ____ \$ _____

FINGERHUT MASTER TRUST
VARIABLE FUNDING ASSET BACKED SECURITY
SERIES 1998-3, CLASS D

Evidencing an undivided interest in a trust, the corpus of which consists of receivables generated from time to time in the ordinary course of business from a portfolio of consumer revolving credit card accounts and closed-end installment sale or closed-end loan contracts transferred or to be transferred by Fingerhut Receivable, Inc. (the "Transferor") and other assets and interests constituting the Trust under the Agreement described below.

(Not an interest in or a recourse obligation of Fingerhut Receivables, Inc., Fingerhut Companies, Inc., Fingerhut National Bank or any affiliate of any of them.)

This certifies that FINGERHUT RECEIVABLES, INC. (the "Securityholder") is the registered owner of a fractional undivided interest in the Fingerhut Master Trust (the "Trust") issued pursuant to the Pooling and Servicing Agreement, dated as of March 18, 1998 (the "Pooling and Servicing Agreement"; such term to include any amendment or Series Supplement thereto) by and between Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank as Servicer (the "Servicer"), and The Bank of New York (Delaware), as Trustee (the "Trustee"), and the Series 1998-3 Supplement, dated as of July 30, 1998 (the "Series 1998-3 Supplement"), among the Transferor, the Servicer and the Trustee (the Pooling and Servicing Agreement, as supplemented by the Series 1998-3 Supplement, is herein referred to as the "Agreement"). The corpus of the Trust consists of all of the Transferor's right, title and interest in, to and under (i) the Trust Property (as defined in the Agreement) and (ii) the property described in Section 3A of the Series 1998-3 Supplement and Section 4.5 of the Agreement.

This Security does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby and the rights, duties and obligations of the Trustee. To the extent not defined herein,

the capitalized terms used herein have the meanings ascribed to them in the Agreement. This Security is one of a series of Securities entitled "Fingerhut Master Trust Variable Funding Asset Backed Securities, Series 1998-3, Class D" (the "Class D Security"), each of which represents a fractional undivided interest in the Trust, and is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement, as amended from time to time, the Securityholder by virtue of the acceptance hereof assents and by which the Securityholder is bound.

Fingerhut Receivables, Inc. shall be prohibited from Transferring any interest in or portion of the Class D Security unless, prior to such Transfer, it shall have delivered to the Trustee an Opinion of Counsel to the effect that such proposed Transfer will not adversely affect the Federal, Minnesota or Delaware income tax characterization of any outstanding Series of Investor Security or the taxability (or tax characterization) of the Trust under Federal, Minnesota or Delaware income tax laws.

Interest will not accrue on the unpaid principal amount of the Class D Security.

Pursuant to Section 6.16 of the Agreement, the holders of this Security may from time to time be required, prior to the Increase Termination Date, to purchase Additional Class D Invested Amounts on the terms and conditions specified therein. The holder of this Security is authorized to record on the grid attached to its Class D Security (or at such Securityholder's option, in its internal books and records) the date and amount of any Additional Invested Amount purchased by it, and each repayment thereof; provided that failure to make any such recordation on such grid or any error in such grid shall not adversely affect such Securityholder's rights with respect to its Class D Invested Amount and its right to receive interest payments in respect of the Class D Invested Amount held by such Securityholder.

"Class D Invested Amount" shall mean, when used with respect to any Business Day, an amount equal to (a) the Class D Initial Invested Amount, plus (b) the aggregate principal amount of any Additional Class D Invested Amounts pursuant to Section 6.16 of the Agreement, minus (c) the aggregate amount of principal payments made to Class D Securityholders and reductions of the Class D Invested Amount pursuant to subsection 4.7(d) of the Agreement through and including such Business Day, minus (d) the aggregate amount of Class D Charge-Offs for all prior Distribution Dates, minus (e) the aggregate amount of Redirected Principal Collections for which the Class D Invested Amount has been reduced on all prior Distribution Dates, and plus (f) the sum of the aggregate amount applied through and including such Business Day pursuant to subsections 4.9(a)(x) of the Agreement (including, with respect to such subsection, amounts applied thereto pursuant to subsections 4.10(a) and (b) of the Agreement), for the purpose of reinstating amounts reduced pursuant to the foregoing clauses (d) and (e); provided, however, that the Class D Invested Amount shall in no event be reduced below zero.

Subject to the Agreement, payments of principal are limited to the unpaid Class D Invested Amount of the Class D Security, which may be less than the unpaid balance of the Class D Security pursuant to the terms of the Agreement. All principal of and interest on the Class D Security is due and payable no later than the earlier to occur of (i) the day after the Business Day on which the Series 1998-3 Securities are paid in full or (ii) the first day of the February 2006 Monthly Period or such earlier date set forth in an Extension Notice, if any (the "Series 1998-3 Termination Date"). After the Series 1998-3 Termination Date neither the Trust nor the Transferor will have any further obligation to distribute principal or interest on the Class D Securities. In the event that the Class D Invested Amount is greater than zero on the Series 1998-3 Termination

Date, the Trustee will sell or cause to be sold, to the extent necessary, an amount of interests in the Receivables or certain of the Receivables up to 110% of the Class A Invested Amount, the Class B Invested Amount, the Class C Invested Amount and the Class D Invested Amount at the close of business on such date (but not more than the total amount of Receivables allocable to the Investor Securities), and shall pay the proceeds to the Class A Securityholders pro rata in final payment of the Class A Securities, then to the Class B Securityholders pro rata in final payment of the Class B Securities, then to the Class C Securityholders pro rata in final payment of the Class C Securities and finally to the Class D Securityholders pro rata in final payment of the Class D Security.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee, by manual signature, this Security shall not be entitled to any benefit under the Agreement, or be valid for any purpose.

IN WITNESS WHEREOF, the Transferor has caused this Security to be duly executed under its official seal.

FINGERHUT RECEIVABLES, INC.

By: _____
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION

This is one of the Class D Securities referred to in the within-mentioned Pooling and Servicing Agreement.

THE BANK OF NEW YORK

By: _____
Name:
Title:

Date	Beginning Principal Balance	Additions	Payments Principal Balance	Ending
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EXHIBIT B

[RESERVED]

EXHIBIT C

Exhibit D

_____, _____
Fingerhut Receivables, Inc.
4400 Baker Road
Suite F480
Minnetonka, MN 55343

The Bank of New York (Delaware)
White Clay Center
Route 273
Newark, Delaware 19711

Re: Fingerhut Master Trust, Class [A] [B] [C]
Securities, Series 1998-3

Ladies and Gentlemen:

In connection with our proposed purchase of Fingerhut Master Trust, Variable Funding Asset Backed Securities, Series 1998-3, Class [A] [B] [C] (the "Class [A] [B] [C] Securities"), we confirm that:

1. We have received such information and documentation as we deem necessary in order to make our investment decision. We understand that such information and documentation speaks only as of its date and that such information and documentation may not be correct or complete as of any time subsequent to such date.
- 2.
3. We agree to be bound by the restrictions and conditions set forth in the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998, as supplemented by the Series 1998-3 Supplement dated as of July 30, 1998 (the "Series 1998-3 Supplement" and together with the Pooling and Servicing Agreement, each as amended from time to time, the "Pooling and Servicing Agreement"), each by and among Fingerhut Receivables, Inc., as Transferor, Fingerhut National Bank, as Servicer, and The Bank of New York (Delaware), as Trustee, relating to the Class [A] [B] [C] Securities, including the obligation to purchase Additional Class A Invested Amounts, Additional Class B Invested Amounts and Additional Class C Invested Amounts as specified in Section 6.15 of the Pooling and Servicing Agreement, and agree to be bound by, and not reoffer, resell, pledge or otherwise transfer (any such act, a "Transfer") the Class [A] [B] [C] Securities except in compliance with, such restrictions and conditions including but not limited to those in Section 10 of the Series 1998-3 Supplement.
- 4.
5. We understand that the Class [A] [B] [C] Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act") or any state securities law and agree that the Class [A] [B] [C] Securities may be reoffered, resold, pledged or otherwise transferred only in compliance with the Securities Act and other applicable laws and only (i) to the Transferor or (ii) pursuant to Rule 144A under the Securities Act to an institutional investor that we reasonably believe is a qualified institutional buyer within the meaning of Rule 144A ("QIB") purchasing for its own account or a QIB purchasing for the account of a QIB, whom we have informed, in each case, that the reoffer, resale, pledge or other transfer is being made in reliance on Rule 144A.

6.

7. We have neither acquired nor will we Transfer any Class [A] [B] [C] Securities we acquire (or any interest therein) or cause any Class [A] [B] [C] Security (or any interest therein) to be marketed on or through (i) an "established securities market" within the meaning of Section 7704(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and any proposed, temporary or final treasury regulation thereunder, including, without limitation, an over-the-counter-market or an interdealer quotation system that regularly disseminates firm buy or sell quotations or (ii) a "secondary market" within the meaning of Section 7704(b)(2) of the Code and any treasury regulation thereunder, including a market wherein the Class [A] [B] [C] Securities (or any interest therein) are regularly quoted by any person making a market in such interests and a market wherein any person regularly makes available bid or offer quotes with respect to the Class [A] [B] [C] Securities (or any interest therein) and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others. We acknowledge that we are aware that the opinion of special tax counsel to the Transferor regarding the Trust's status is dependent in part on the accuracy of the preceding sentence.

8.

9. We are not and will not become, for so long as we hold any interest in the Class [A] [B] [C] Securities, a partnership, Subchapter S corporation or grantor trust for United States federal income tax purposes.

10.

11. We are a person who is either (A)(i) a citizen or resident of the United States, (ii) a corporation or other entity organized in or under the laws of the United States or any political subdivision thereof or (iii) a person not described in (i) or (ii) whose ownership of the Class [A] [B] [C] Securities is effectively connected with a such person's conduct of a trade or business within the United States (within the meaning of the Code) and our ownership of any interest in a Class [A] [B] [C] Security will not result in any withholding obligation with respect to any payments with respect to the Class [A] [B] [C] Securities by any person or (B) an estate the income of which is includible in gross income for United States federal income tax purposes or any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust. We agree that if we are a person described in clause (A)(iii) above, we will furnish to the person from whom we are acquiring a Class [A] [B] [C] Security, the Servicer and the Trustee, a properly executed U.S. Internal Revenue Service Form 4224 and a new Form 4224, or any successor applicable form, upon the expiration or obsolescence of any previously delivered form (and such other certifications, representations or opinions of counsel as may be requested by the Transferor, the Servicer or the Trustee). We recognize that if we are a tax-exempt entity, payments with respect to the Class [A] [B] [C] Securities may constitute unrelated business taxable income.

12.

13. We understand that if we are not created or organized under the laws of the United States or any State thereof (including the District of Columbia) we will, upon written notice by the Transferor that the Transferor intends, pursuant to Section 1446 or other applicable section of the Internal Revenue Code, to withhold U.S. tax (a "Withholding Tax") from amounts paid or accruing hereunder to us (such determination being a "Withholding Event"), for tax years for which we have already filed U.S. federal income tax returns (each a "Prior Tax Year") prior to proper notice of such Withholding Event, provide (A) a signed officer's certificate stating that amounts paid or accruing under the Securities have been included in such purchaser's U.S. federal income tax returns for each such Prior Tax Year, which certificate may be relied on by the Transferor in asserting to the Internal Revenue Service the applicability of Section 1463 of the Internal Revenue Code with respect to any Withholding Tax for each such Prior Tax Year and (B) provide

information to the Transferor or, at our option, to the Internal Revenue Service in support of the application of Section 1463 of the Internal Revenue Code for each such Prior Tax Year.

14.

15. We understand that no subsequent Transfer of a Class [A] [B] [C] Security is permitted unless the Transferor consents in writing to the proposed Transfer; provided, that any attempted Transfer that would cause the number of Targeted Holders to exceed one-hundred shall be void.

16.

17. We are a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing for our own account or for the account of a "qualified institutional buyer" and we understand that the sale to us is being made in reliance on Rule 144A under the Securities Act.

18.

19. We are acquiring each of the Class [A] [B] [C] Securities purchased by us for our own account or for a single account (each of which is a "qualified institutional buyer") as to which we exercise sole investment discretion.

20.

21. We are not (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to the provisions of Title I of ERISA, (ii) a plan described in Section 4975(e)(1) of the Code, (iii) a governmental plan, as defined in Section 3(32) of ERISA, subject to any federal, state or local law which is, to a material extent, similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, (iv) an entity whose underlying assets include plan assets (as defined in 29 C.F.R. Section 2510.3-101 or otherwise under ERISA) by reason of a plan's investment in the entity, or (v) a person investing plan assets of any such plan (including for purposes of clauses (iv) and (v) any insurance company general account, but excluding any entity registered under the Investment Company Act of 1940, as amended).

22.

23. We understand that any purported Transfer of any Class [A] [B] [C] Security in contravention of the restrictions and conditions in paragraphs 1 through 11 above shall be null and void and the purported transferee shall not be recognized by the Trust or any other person as a holder of Class [A] [B] [C] Securities for any purpose.

24.

25. We further understand that, promptly following any proposed resale, pledge or transfer of any Class [A] [B] [C] Securities, we will be required to furnish to the Trustee and the Registrar, such certification and other information as the Trustee or the Registrar may reasonably require to confirm that the proposed sale complies with the foregoing restrictions and with the restrictions and conditions of the Class [A] [B] [C] Securities and the Pooling and Servicing Agreement pursuant to which the Class [A] [B] [C] Securities were issued and we agree that if we determine to Transfer any Class [A] [B] [C] Security, we will cause our proposed transferee to provide the Transferor, the Servicer and the Trustee with a letter substantially in the form of this letter. We further understand that Class [A] [B] [C] Securities purchased by us will bear a legend to the foregoing effect.

26.

27. The person signing this letter on behalf of the ultimate beneficial purchaser of the Class [A] [B] [C] Securities has been duly authorized by such beneficial purchaser of the Class [A] [B] [C] Securities to do so.

28.

29. 15. The Class [A] [B] [C] Securities purchased by us should be registered in the name and issued in the denominations set forth on Schedule 1 hereto. All payments on the Class [A] [B] [C] Securities held by us should be wired to us in accordance with the instructions set forth on Schedule 1 hereto unless we otherwise notify the Transferor, the Servicer and the Trustee in writing.

30.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

- 1.
- 2.

Very truly yours

[NAME OF PURCHASER]

By:

Name:

Title:

Schedule 1

Registration and Payment Instructions

Registration Instructions:

Full Legal Name of Purchaser: _____

Number of Securities: _____

Payment Instructions:

Name of Bank: _____

Address of Bank: _____

Account Name: _____

Account Number: _____

ABA Number: _____

Reference: _____

Exhibit E

FORM OF EXTENSION NOTICE

FINGERHUT MASTER TRUST, SERIES 1998-3

The undersigned, a duly authorized representative of Fingerhut Receivables, Inc., a Delaware corporation (the "Transferor"), as Transferor pursuant to the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998 (the "Pooling and Servicing Agreement"), by and between the Transferor, as transferor, Fingerhut National Bank, as servicer (the "Servicer"), and The of New York (Delaware), as trustee (the "Trustee"), as supplemented by the Series 1998-3 Supplement, dated July 30, 1998 (the "Series 1998-3 Supplement"), by and between the Transferor, the Servicer and the Trustee (the Pooling and Servicing Agreement, as supplemented by the Series 1998-3 Supplement, or as the Pooling and Servicing Agreement may from time to time be amended, supplemented, or modified, the "Agreement"), does hereby notify the Trustee (or any successor Trustee) and the Investor Securityholders:

A. Capitalized terms used but not defined in this Security shall have the respective meanings set forth in the Agreement. References herein to certain sections

and subsections are references to the respective sections and subsections of the Agreement.

B.

C. The undersigned is a [Vice President] or more senior officer of the Transferor who is duly authorized to execute and deliver this Security on behalf of the Transferor.

D.

E. This Security is being delivered pursuant to Section 6.17(a) of the Agreement.

F.

G. The Transferor is the Transferor under the Agreement.

H.

I. No Pay Out Event has occurred that has not been remedied pursuant to the provisions of the Agreement.

J.

K. The Security is being delivered to the Trustee on or before the date specified in subsection 6.17(a) for delivery.

L.

M. NOTIFICATION OF EXTENSION

N. Pursuant to subsection 6.17(a) and in respect of [,] (the "Current Extension Date"), the Transferor hereby notifies the Trustee and the Investor Securityholders of the Transferor's intention to extend the Revolving Period in respect of Series 1998-3 on the Current Extension Date pursuant to the provisions of Section 6.17, until the date set forth below (such extension, the "Extension").

O.

P. REQUIREMENTS TO COMPLETE EXTENSION

Q.

(1) Annexed hereto is an election notice (an "Election Notice") to be returned by any Investor Securityholder electing to approve the Extension. No Extension shall occur unless Investor Securityholders holding at least more than fifty percent of each of the aggregate principal amount of Class A Securities, Class B Securities, Class C Securities and Class D Securities, respectively, shall return properly executed Election Notices approving the Extension by the Election Date (as defined below). Any Investor Securityholder electing to approve the Extension must deliver a properly executed Election Notice at the office of the Trustee, [] on or before 3:00 p.m., [] time, on [,] (the "Election Date"). Any Investor Securityholder may withdraw any Election Notice delivered by it to the Trustee by notifying the Trustee in writing at the address set forth in the previous sentence on or prior to the Election Date.

(2)

(3) THE EXTENSION SHALL NOT OCCUR UNTIL PRIOR SATISFACTION OF CERTAIN CONDITIONS PRECEDENT BY THE CLOSE OF BUSINESS ON THE ELECTION DATE, INCLUDING THE APPROVAL OF SUCH EXTENSION BY THE INVESTOR SECURITYHOLDERS HOLDING THE REQUIRED AGGREGATE PRINCIPAL AMOUNT OF CLASS A SECURITIES, CLASS B SECURITIES, CLASS C SECURITIES AND CLASS D SECURITIES, THAT NO PAY OUT EVENT SHALL HAVE OCCURRED AND BE CONTINUING, AND THAT CERTAIN LEGAL OPINIONS AND RATING AGENCY CONFIRMATIONS SHALL HAVE BEEN DELIVERED TO THE TRANSFEROR AND THE TRUSTEE PURSUANT TO SECTION 6.17(b). THE TRANSFEROR MAY IN ITS SOLE DISCRETION WITHDRAW THIS EXTENSION NOTICE AT ANY TIME ON OR PRIOR TO THE ELECTION DATE BY DELIVERING NOTICE OF SUCH WITHDRAWAL IN WRITING TO THE TRUSTEE. IF ANY SUCH NOTICE OF WITHDRAWAL SHALL BE SO DELIVERED, NO EXTENSION SHALL OCCUR.

(4)

R. NEW PROVISIONS TO BECOME EFFECTIVE ON THE EXTENSION DATE

S.

(1) The new Amortization Period Commencement Date shall be the earlier of (a) [,] or (b) the Pay Out Commencement Date.

(2)

(3) The new Extension Date shall be [,].

(4)

(5) [The new Scheduled Series 1998-3 Termination Date shall be [,].]

(6)

- (7) The new Class A Expected Payment Date is _____.
(8)
(9) The new Class B Expected Payment Date is _____.
(10)
(11) The new Class C Expected Payment Date is _____.
(12)
(13) [The following are additional provisions that will
apply to the Investor Securities on and after the Extension Date:

(14)
(15) INSERT PROVISIONS]

(16)
T. Annexed hereto are the following:

U.
(1) the form of Extension Tax

Opinion.

(2)
(3) the form of Extension Opinion.

(4)
(5) the Election Notice.

(6)

(1) IN WITNESS WHEREOF, the undersigned has duly executed this
certificate this [] day of [,].

(2)
(3)
(4) FINGERHUT RECEIVABLES, INC.
(5)

By: _____

Name:

Title:

EXHIBIT F

FORM OF INVESTOR SECURITYHOLDER ELECTION NOTICE

[INSERT NAME
AND ADDRESS OF TRUSTEE]

Re: Fingerhut Master Trust:
Election Notice to Extend Series 1998-3

Ladies and Gentlemen:

The undersigned hereby elects to approve the extension of the Revolving Period for Series 1998-3 until the Amortization Period Commencement Date set forth in the Extension Notice dated [,] (the "Extension Notice") and delivered to the undersigned pursuant Section 6.17(a) of the Amended and Restated Pooling and Servicing Agreement, dated as of March 18, 1998, including the Series 1998-3 Supplement thereto, dated as of July 30, 1998, each by and among Fingerhut Receivables, Inc., as transferor, Fingerhut National Bank, as servicer, and The Bank of New York (Delaware), as trustee (the "Pooling and Servicing Agreement"). The undersigned hereby acknowledges that, commencing on the Current Extension Date (as defined in the Extension Notice), the terms and provisions of the Pooling and Servicing Agreement shall be modified as set forth in the Extension Notice.

IN WITNESS WHEREOF, the undersigned registered owner(s) has
[have] executed this Election Notice as of the date set forth
below.

Dated:

Name(s): _____

Address: _____
(Please
Print)

Signature(s): _____

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of Series 1998-1 Securityholders

of the Fingerhut Master Trust

FIRST AMENDMENT

Dated as of March 17, 1999

to

SERIES 1998-1 SUPPLEMENT

Dated as of April 28, 1998

to

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

Dated as of March 18, 1998

FIRST AMENDMENT dated as of March 17, 1999 ("First Amendment") to SERIES 1998-1 SUPPLEMENT, by and among Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as Servicer (the "Servicer") and The Bank of New York (Delaware), as Trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement.

WHEREAS, the Transferor, the Servicer and the Trustee have heretofore executed and delivered the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, by and among the Transferor, the Servicer and the Trustee (the "Pooling and Servicing Agreement"), and the Series 1998-1 Supplement (the "Series Supplement") dated as of April 28, 1998 to the Pooling and Servicing Agreement; and

WHEREAS, the second paragraph of Section 13.1(a) of the Pooling and Servicing Agreement provides that the Transferor, the Servicer and the Trustee may amend the Pooling and Servicing Agreement (including any Supplement), without the consent of any of the Securityholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement, or of modifying in any manner the rights of the Holders of Securities, provided, however, that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the

Securityholders or of any holder of a Participation, (ii) the Transferor shall have provided a Tax Opinion and an Opinion of Counsel to the effect that such amendment shall not materially adversely affect the Applicable Tax State income tax characterization of any outstanding Series of Investor Securities or the taxability of the Trust under Applicable Tax State income tax law and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the rating of any Series or any class of any Series will not be reduced or withdrawn as a result of such amendment;

NOW, THEREFORE, the Transferor, the Servicer and the Trustee hereby amend the Series Supplement as follows:

SECTION 1.1 CTO Trigger Event. Clause (i) of the first sentence of Section 4.20 of the Series Supplement shall be amended in its entirety to read as follows:

"(i) the rating of Federated Department Stores, Inc.'s senior debt and, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities is reduced below BBB from Standard & Poor's and below Baa2 from Moody's (a "CTO Trigger Event")"

SECTION 1.2 Administration of CTO Reserve Account. The last sentence of subsection (b) of Section 4.21 of the Series Supplement shall be amended in its entirety to read as follows:

"All amounts on deposit in the CTO Reserve Account shall be released therefrom and paid to the Transferor, if the rating of Federated Department Stores, Inc.'s senior debt or, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities is subsequently increased to BBB or higher by Standard & Poor's and Baa2 or higher by Moody's or the CTO Invested Amount has been paid in full."

SECTION 2. Ratification of Agreement. As amended by this First Amendment, the Series Supplement is in all respects ratified and confirmed, and the Series Supplement as so amended by this First Amendment shall be read, taken and construed as one and the same instrument.

SECTION 3. No Waiver. The execution and delivery of this First Amendment shall not constitute a waiver of a past default under the Agreement or impair any right consequent thereon.

SECTION 4. Counterparts. The First Amendment may be executed in two or more counterparts including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION 5. GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Effective Date. This First Amendment shall automatically become effective as of the date upon which (i) all requirements of the second paragraph of Section 13.1(a) have been satisfied and (ii) Federated Department Stores, Inc. acquires, directly or indirectly, shares of the common stock of Fingerhut Companies, Inc. pursuant to the Offer To Purchase dated February 18, 1999.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this First Amendment to be duly executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
as Transferor

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: President

FINGERHUT NATIONAL BANK
as Servicer

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: Treasurer

THE BANK OF NEW YORK (Delaware)

By /s/Cheryl L. Laser
Name: Cheryl L. Laser
Title: Assistant Vice President

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of Series 1998-2 Securityholders

of the Fingerhut Master Trust

FIRST AMENDMENT

Dated as of March 17, 1999

to

SERIES 1998-2 SUPPLEMENT

Dated as of April 28, 1998

to

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

Dated as of March 18, 1998

FIRST AMENDMENT dated as of March 17, 1999 ("First Amendment") to SERIES 1998-2 SUPPLEMENT, by and among Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as Servicer (the "Servicer") and The Bank of New York (Delaware), as Trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement.

WHEREAS, the Transferor, the Servicer and the Trustee have heretofore executed and delivered the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, by and among the Transferor, the Servicer and the Trustee (the "Pooling and Servicing Agreement"), and the Series 1998-2 Supplement (the "Series Supplement") dated as of April 28, 1998 to the Pooling and Servicing Agreement; and

WHEREAS, the second paragraph of Section 13.1(a) of the Pooling and Servicing Agreement provides that the Transferor, the Servicer and the Trustee may amend the Pooling and Servicing Agreement (including any Supplement), without the consent of any of the Securityholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement, or of modifying in any manner the rights of the Holders of Securities, provided, however, that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the

Securityholders or of any holder of a Participation, (ii) the Transferor shall have provided a Tax Opinion and an Opinion of Counsel to the effect that such amendment shall not materially adversely affect the Applicable Tax State income tax characterization of any outstanding Series of Investor Securities or the taxability of the Trust under Applicable Tax State income tax law and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the rating of any Series or any class of any Series will not be reduced or withdrawn as a result of such amendment;

NOW, THEREFORE, the Transferor, the Servicer and the Trustee hereby amend the Series Supplement as follows:

SECTION 1.1 CTO Trigger Event. Clause (i) of the first sentence of Section 4.20 of the Series Supplement shall be amended in its entirety to read as follows:

"(i) the rating of Federated Department Stores, Inc.'s senior debt and, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities is reduced below BBB from Standard & Poor's and below Baa2 from Moody's (a "CTO Trigger Event")"

SECTION 1.2 Administration of CTO Reserve Account. The last sentence of subsection (b) of Section 4.21 of the Series Supplement shall be amended in its entirety to read as follows:

"All amounts on deposit in the CTO Reserve Account shall be released therefrom and paid to the Transferor, if the rating of Federated Department Stores, Inc.'s senior debt or, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities is subsequently increased to BBB or higher by Standard & Poor's and Baa2 or higher by Moody's or the CTO Invested Amount has been paid in full."

SECTION 2. Ratification of Agreement. As amended by this First Amendment, the Series Supplement is in all respects ratified and confirmed, and the Series Supplement as so amended by this First Amendment shall be read, taken and construed as one and the same instrument.

SECTION 3. No Waiver. The execution and delivery of this First Amendment shall not constitute a waiver of a past default under the Agreement or impair any right consequent thereon.

SECTION 4. Counterparts. The First Amendment may be executed in two or more counterparts including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION 5. GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Effective Date. This First Amendment shall automatically become effective as of the date upon which (i) all requirements of the second paragraph of Section 13.1(a) have been satisfied and (ii) Federated Department Stores, Inc. acquires, directly or indirectly, shares of the common stock of Fingerhut Companies, Inc. pursuant to the Offer To Purchase dated February 18, 1999.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this First Amendment to be duly executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
as Transferor

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: President

FINGERHUT NATIONAL BANK
as Servicer

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: Treasurer

THE BANK OF NEW YORK (Delaware)

By /s/ Cheryl L. Laser
Name: Cheryl L. Laser
Title: Assistant Vice President

FINGERHUT RECEIVABLES, INC.

Transferor

FINGERHUT NATIONAL BANK

Servicer

and

THE BANK OF NEW YORK (DELAWARE)

Trustee

on behalf of Series 1998-3 Securityholders

of the Fingerhut Master Trust

FIRST AMENDMENT

Dated as of March 17, 1999

to

SERIES 1998-3 SUPPLEMENT

Dated as of July 30, 1998

to

AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

Dated as of March 18, 1998

FIRST AMENDMENT dated as of March 17, 1999 ("First Amendment") to SERIES 1998-3 SUPPLEMENT, by and among Fingerhut Receivables, Inc., as Transferor (the "Transferor"), Fingerhut National Bank, as Servicer (the "Servicer") and The Bank of New York (Delaware), as Trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Pooling and Servicing Agreement.

WHEREAS, the Transferor, the Servicer and the Trustee have heretofore executed and delivered the Amended and Restated Pooling and Servicing Agreement dated as of March 18, 1998, by and among the Transferor, the Servicer and the Trustee (the "Pooling and Servicing Agreement"), and the Series 1998-3 Supplement (the "Series Supplement") dated as of July 30, 1998 to the Pooling and Servicing Agreement; and

WHEREAS, the second paragraph of Section 13.1(a) of the Pooling and Servicing Agreement provides that the Transferor, the Servicer and the Trustee may amend the Pooling and Servicing Agreement (including any Supplement), without the consent of any of the Securityholders, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Pooling and Servicing Agreement, or of modifying in any manner the rights of the Holders of Securities, provided, however, that (i) the Servicer shall have provided an Officer's Certificate to the Trustee to the effect that such amendment will not materially and adversely affect the interests of the

Securityholders or of any holder of a Participation, (ii) the Transferor shall have provided a Tax Opinion and an Opinion of Counsel to the effect that such amendment shall not materially adversely affect the Applicable Tax State income tax characterization of any outstanding Series of Investor Securities or the taxability of the Trust under Applicable Tax State income tax law and (iii) the Servicer shall have provided at least ten Business Days prior written notice to each Rating Agency of such amendment and shall have received written confirmation from each Rating Agency to the effect that the rating of any Series or any class of any Series will not be reduced or withdrawn as a result of such amendment;

NOW, THEREFORE, the Transferor, the Servicer and the Trustee hereby amend the Series Supplement as follows:

SECTION 1.1 Class C Trigger Event. (a) Clause (i) of the first sentence of Section 4.15 of the Series Supplement shall be amended in its entirety to read as follows:

"(i) the rating from Moody's of Federated Department Stores, Inc.'s senior debt and, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities are reduced below Baa2 (a "Class C Trigger Event")"

(b) The penultimate sentence of Section 4.15 of the Series Supplement shall be amended in its entirety to read as follows:

"The Servicer shall provide to Moody's and the Trustee prompt written notice of any downgrading of the rating of Federated Department Stores, Inc.'s senior debt."

SECTION 1.2 Administration of Class C Reserve Account. The last sentence of subsection (b) of Section 4.16 of the Series Supplement shall be amended in its entirety to read as follows:

"The amount on deposit in the Class C Reserve Account may also be released therefrom and paid to the Transferor, and the Target Percentage of the Transferor Interest may equal zero, if the rating of Federated Department Stores, Inc.'s senior debt or, if rated, the rating of Federated Department Stores, Inc.'s corporate revolving credit facilities is subsequently increased to Baa2 or higher by Moody's or the Class C Invested Amount has been paid in full."

SECTION 2. Ratification of Agreement. As amended by this First Amendment, the Series Supplement is in all respects ratified and confirmed, and the Series Supplement as so amended by this First Amendment shall be read, taken and construed as one and the same instrument.

SECTION 3. No Waiver. The execution and delivery of this First Amendment shall not constitute a waiver of a past default under the Agreement or impair any right consequent thereon.

SECTION 4. Counterparts. The First Amendment may be executed in two or more counterparts including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION 5. GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6. Effective Date. This First Amendment shall automatically become effective as of the date upon which (i) all requirements of the second paragraph of Section 13.1(a) have been satisfied and (ii) Federated Department Stores, Inc. acquires, directly or indirectly, shares of the common stock of Fingerhut Companies, Inc. pursuant to the Offer To Purchase dated February 18, 1999.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the Transferor, the Servicer and the Trustee have caused this First Amendment to be duly executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

FINGERHUT RECEIVABLES, INC.
as Transferor

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: President

FINGERHUT NATIONAL BANK
as Servicer

By /s/ Brian M. Szames
Name: Brian M. Szames
Title: Treasurer

THE BANK OF NEW YORK (Delaware)

By /s/ Cheryl L. Laser
Name: Cheryl L. Laser
Title: Cheryl L. Laser

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<F1>Includes the following:

Supplies and prepaid expenses	200
Deferred income tax assets	142

<F2>Includes the following:

Intangible assets - net	1,889
Other assets	572

<F3>Includes the following:

Deferred income taxes	1,236
Other liabilities	576
Shareholders' Equity	5,813

<F4>Includes the following:

Interest Income	3
-----------------	---

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